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QUARTERLY REVIEW OF EUROPEAN MORTGAGE MARKETS

European Mortgage Federation
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As reported in the previous edition of the Quarterly Review, during the second quarter of 2020 Europe was hard hit by the first wave of the COVID-19 pandemic. During the third quarter of the year, however, the European economy experienced a strong rebound as containment measures were gradually lifted. This is expected to change again in the fourth quarter as a result of the effects of the second wave that has hit some countries even harder than the first one, therefore requiring the introduction of more restrictive measures.

In this context and between June and September 2020 as a direct consequence of the gradual easing of measures, Europe's GDP bounced back by 11.5% after the significant contraction of 11.4% registered during the previous quarter. Likewise the economic sentiment indicator recovered during the summer months, although it has not returned to pre-COVID-19 levels. Despite the relative improvement of the economy, the vast majority of measures put in place by governments earlier in the year were either maintained or extended during the period in order to mitigate the economic and social consequences of the pandemic.

In this context, as for the rest of the economy, housing and mortgage markets were also impacted. In the second quarter of the year supply and demand were severely affected. Despite some differences amongst countries, most saw figures for sales and requests for new loans fall sharply. Nevertheless, during the summer months the slight improvement of the health crisis allowed for a partial recovery of the markets. On the supply side, we saw the construction sector resume its activity. At the same time momentum on the demand side also picked up as the end of the hard lockdown allowed customers to partially resume normal activities. Moreover, most countries continued to experience a slowdown in their house price growth. Finally, interest rates remained low for all maturities as this has now become the "new-normal" too. All these trends will be analysed in more detail in the following paragraphs.

MORTGAGE MARKETS

Mortgage market dynamics in the third quarter of 2020 were overall more positive than those registered in the second quarter of the year. The relaxation of lockdown measures in the vast majority of countries during the third quarter had a positive effect on mortgage markets. On average total outstanding residential mortgage lending for our European sample grew by 2.7% on a yearly basis. Moreover, although new gross residential lending continued to fall year on year, this grew by 5.4% with respect to Q2 2020, showing the partial recovery of the economy during the summer months.

In the following paragraphs we will analyse more in detail the evolution of outstanding and gross lending in every jurisdiction as important differences are still observed.

Starting in the north, more precisely in **Sweden**, net mortgage lending increased even further in the third quarter of the year. It grew by 6.2% y-o-y, compared to the 6% growth registered the previous quarter (in SEK). More in detail, mortgage lending for one-family homes increased by 5.3% y-o-y while tenant-owned apartments grew by 7.1%. The increase in mortgages for the purchase of one-family homes is a direct consequence of the COVID-19 pandemic which has increased the interest of families in bigger houses. Similarly, loans for the acquisition of vacation homes or second residences have also notably increased due to the pandemic and the changes this has produced in consumers' tastes and preferences. Finally, the increase in lending has also been boosted by the amortisation exemption introduced in April 2020, according to which loans are amortised at a slower pace. The health of Swedish financial institutions has also played a role in the positive evolution of lending as banks have continued to be able to increase their lending capacity. Likewise in its neighbouring country, **Denmark**, total outstanding residential loans continued to grow by 2.8% on a yearly basis and by 1.3% compared to the previous quarter. Lending activity remained high through the third quarter as can be seen in the positive evolution of gross residential lending. Gross residential lending in Denmark in Q3 2020 grew by 29% q-o-q. Despite this positive evolution quarter on quarter, gross lending levels still remained well below those registered in Q3 2019, when they were 86% higher. This drop can be partially explained by a decrease of 53% in remortgaging activity compared to the same period of last year. Continuing in the Nordics, **Finland**, as a consequence of the pandemic, registered lower demand for mortgages than in Q3 2019. Nevertheless, a slight recovery of the market was observed in the third quarter compared to the previous one. Moreover, as a result of the first wave, the number of remortgaged drawdowns of housing loans increased significantly.

Moving down to **the Netherlands**, outstanding residential mortgages kept growing thanks to three factors. The first factor was the slightly lower interest rate for mortgages that incentivised mobility of consumers and refinancing. Secondly, the growing number of second mortgages which could be the result of an increase in loans for renovation in light of the pandemic, as the third quarter registered an increase of 41% in loans for house renovations. And, finally, due to the continuous shortage of housing that keeps pushing up prices.

Remaining in the core of Europe, in **Germany** the momentum in the residential real estate financing business slowed down in the second quarter of the year, but an important recovery was observed in the third quarter as gross residential lending grew by 6.3% y-o-y. This growth was mainly driven by owner-occupied home financing. On the other hand, in **Belgium** we observe a different situation as in the third quarter the number of new mortgage loans went down by almost 14% compared to the same period of the previous year. Excluding re-mortgaging transactions the yearly evolution was similar to that recorded during the previous quarter with a 17% decline in the number of contracts. The reasons for this continuous and strong decline are twofold, first of all the strong impact of the COVID-19 crisis despite the relative easing of measures during the third quarter. Secondly, the announcement by the Flemish government in October 2019 of the termination of fiscal incentives for new mortgage loans. The amount of mortgage credit granted in the third quarter of 2020 went down for the first time in two years returning to 2016 levels. The drop on a yearly basis is even more significant given the exceptionally high figures in Q3 2019. Moving now to **France**, the evolution of the mortgage market, despite the adverse economic environment with unemployment reaching 9.2% and the new restrictive measures taken during the second wave, was still positive in outstanding terms. Outstanding house loans are still growing at a 5.3% yearly rate, mainly due to the measures taken by the Government to protect household income. In this context, a very low number of payment suspensions was recorded and defaults also remained low. Nevertheless, the impact of the COVID-19 crisis can be felt in the evolution of new lending which in the first three quarters of the year decreased by 11%.

Moving now to the East of Europe, in **Hungary** the macroeconomic situation partially recovered in the third quarter of the year recording a much smaller drop in GDP than the one recorded in Q2. GDP dropped by 4.6% y-o-y. The actual final consumption of households also recorded a smaller decline, falling by 2.2% on a yearly basis. Despite the negative macroeconomic context, both outstanding and gross lending grew during the third quarter. The former grew by 2.3% q-o-q and by 6.8% y-o-y, likewise the latter grew by 17% q-o-q and by 9% y-o-y. Similarly, in **Romania** outstanding mortgage lending continued growing in the third quarter of 2020, by 2% q-o-q and by a significant 10% y-o-y (in LEU). Likewise, in September gross new residential lending had increased by 33% compared to the previous quarter and by 3% with respect to the previous year. In this scenario, NPLs for mortgage loans reached 2.01% in September, a decrease of 0.15 pps q-o-q and of 0.36 pps y-o-y.

In the South of Europe and concretely in **Spain** during Q3 2020 mortgage activity performed better than expected after the evolution seen in the previous quarter. This positive evolution is reflected in the performance of gross residential lending which recorded an increase of 26.7% q-o-q and of 22.7% y-o-y. Moreover, excluding remortgaging, lending registered an increase of 38.7% q-o-q and 17.4% y-o-y. In **Portugal**, the other country in the Iberian Peninsula, the evolution of the mortgage market was also positive as outstanding residential loans increased by 1.3% year on year reaching EUR 95,108 mn in Q3 2020. Likewise new loans grew by 4.1% y-o-y and 10.5% q-o-q to EUR 2,755 mn. Finally, in the last of the southern countries covered by our Quarterly Review, **Italy**, during the third quarter of the year, the stock of outstanding residential mortgages continued to grow reaching EUR 388.2 bn, an increase of 1.1% y-o-y. Likewise new residential lending also grew by 19.3% on a yearly basis and reached EUR 17.6 bn.

In **Ireland** the negative evolution of outstanding mortgages continued during the third quarter when mortgage approval volumes fell by 10.6% y-o-y to fewer than 11,900 due to the business and wider economic impact of COVID-19. This constitutes the third quarter in a row in which approval volumes had fallen on yearly basis. Yet first-time buyer approval volumes only fell by 1% y-o-y to 6,778. By contrast, the residential investment letting and re-mortgage segments each reported y-o-y declines for the fifth successive quarter. Moreover mortgage drawdown volumes fell by 30.9% y-o-y to about 8,100 in Q3 2020. Moreover, purchase mortgage drawdown volumes fell by 32.9% to fewer than 6,400 while first-time buyer drawdown volumes fell slightly less by 29.9% y-o-y to 4,204 (66% of purchase drawdowns).

To conclude in the **UK**, following COVID-19 restrictions in the second quarter of the year, the UK mortgage market recovered in Q3 2020. There were 397,000 mortgage approvals in the quarter, just 2% lower than in the same period in 2019. However, gross lending, which lags approvals was down by 14% compared to Q3 2019. Around a third (32%) of gross lending in Q3 2020 was for remortgaging. The recovery in the mortgage market was a result of pent up demand built up in the lockdown period being released once restrictions were eased. The introduction of a stamp duty holiday has also boosted demand. Within the holiday period no tax is due on properties up to GBP 500,000 on sales in England and Northern Ireland, until 31 March 2021. This policy was put in place to negate the impact of COVID-19, and help stimulate the housing market.

REGULATION AND GOVERNMENT INTERVENTIONS

This third quarter of the year was more relaxed in terms of new legislation, especially compared to the high volume of new measures introduced in Q1 and Q2 as a consequence of the pandemic. However, some countries did introduce new measures both related and non-related to the COVID-19 crisis.

Starting with **Sweden** no new measures in relation to mortgages were introduced during the summer months, but the amortisation exemption introduced earlier in April remains in place. To recall, amortisation requirements were introduced in Sweden in 2016 and strengthened in 2018. The new exemption will be in place until end of August 2021. In this context, Finansinspektionen reported that 195,000 mortgage borrowers between April and September 2020 were able to benefit from the amortisation exemption.

In **Finland** as in previous quarters the discussion on household indebtedness continued. To recall the latest decisions, in October 2019 the working group set to manage this issue published its report with different proposals to tackle overindebtedness. The proposals included a maximum debt-to-income ratio (DTI), a maximum maturity for housing loans and restrictions on housing company loans for new constructions. In Q3 2020, the MoF announced that the parliamentary process will start at the beginning of 2021 and the new regulations could enter into force at the end of 2021 or beginning of 2022. The final timeline for the implementation of these measures is still uncertain due to the coronavirus pandemic.

Likewise in **the Netherlands** in Q3 2020 no new measures were introduced, but the government has announced future revisions to the mortgage market. The proposal that still needs to be approved by Parliament includes: reducing to 0% the tax for buyers under 35 years old who buy a house under EUR 400,00; including 90% (currently 80%) of second sources of income when requesting a mortgage; and further reducing the mortgage interest deduction which is expected to expire completely by 2030. Moreover, the National Mortgage Guarantee (NHG) has decided to set the limit at EUR 325,000 for 2020 which is approximately the average house price in the Netherlands. In this context, if energy-saving measures are co-financed the limit will be 6% higher, EUR 344,500. The premium remains a one-off 0.7% of the purchase price.

In **Belgium** a new measure concerning green financing and not related to the COVID-19 crisis has been introduced. The National Bank of Belgium issued a circular letter informing banks of the obligation to gather EPC data information on the properties that are used as collateral for mortgage loans. Regional authorities have not yet made EPC databases publicly available. but Flanders could be the first region to do this in April 2021.

In **France** it was announced by the Haut Comité pour la Stabilitié Financiere that despite ongoing concerns regarding the rapid growth of outstanding house loans the strict requirements introduced in December 2019 regarding loan-to-income ratio and loan maturity would be removed in order not to penalise low income households and first time buyers.

In Hungary, and related to the pandemic, it was announced that the payment moratorium which was introduced in March 2020 and partially suspended thereafter would be extended from 31 December 2020 until the end of June 2021.

In Romania it was announced that starting from 1st January 2020 the 5% reduced VAT for house purchase will be extended from RON 450,000 to EUR 140,000. This initiative is expected to trigger price adjustments and changes in real estate trends for the coming years.

In Spain no new measures have been introduced, but certain initiatives have been put in place to protect the most vulnerable groups in society. To do so the government decided to extend the prohibition of evictions until the end of the State of Alarm planned for 9 May 2021. Moreover, the Government is considering giving the regions the right to intervene in the rental market by way caps on rental prices. Both have been the subject of controversy, with concerns that the former could create an insecure legal framework, while the latter could reduc rental housing stock.

All in all, a wide range of measures have been put in place in the different countries of our sample. The majority of these are either intended to control over-indebtedness or to facilitate or protect access to housing, as both have been impacted negatively by the pandemic.

HOUSING MARKETS

HOUSING SUPPLY

As for the other indicators, the number of new permits and transactions also slightly recovered during the summer months following the significant drops recorded in Q2 2020. In the majority of countries, the lifting of certain lockdown like measures allowed supply to slightly recover. Nevertheless, it will still take months to recover 2019 constructions levels. In the following paragraphs we present the situation of supply in the different jurisdictions.

In **Sweden** at the beginning of the year housing supply was expected to decrease, yet in the third quarter expectations for the year end have slightly changed and it seems construction figures will hold. Some forecasts even expect a slight increase in figures with respect to 2019. In the first three quarters of 2020 the number of housing starts was 13% higher than in the same period of 2019. The growth in new starts was mainly driven by apartments. However, this is expected to change due to the increase in demand for detached houses as explained above. In **Denmark** there was a substantial drop in supply both for houses and owner-occupied apartments compared to the same quarter of 2019. In Q3 there were 28,243 houses for sale, 18% fewer than in Q3 2019. Similarly in the owner-occupied apartment market there were 5,910 apartments for sale, representing a 23% drop y-o-y. Despite the drop in supply overall activity on the housing market remained high. A total of 12,421 houses were sold, 11% more that the third quarter of 2019. Also 4,512 owner-occupied apartments were sold representing a 13% increase. Finally, in **Finland** the increasing number of housing permits and housing starts also pointed to the slight recovery that the market experienced during the third quarter.

In **the Netherlands** historically the third quarter of the year is calm on the supply side as few new constructions are put up for sale. However, this year the trend changed and in Q3 more houses and lots were brought to market, therefore boosting supply and sales given corresponding high demand. The increase in supply was particularly noticeable in the apartment market as twice as many apartments as usual were put up for sale. In this context, the Minister of Interior and Kingdom Relations of the Netherlands announced a subsidised program that will help to build more than 51,000 homes, across 27 projects, representing a public investment of EUR 290 mn. Moreover, municipalities and provinces will be contributing with EUR 331 mn to alleviate the financial deficit. The project will boost construction making housing more available and affordable. The majority of projects are expected to start in 2021.

In **France** the residential market seems to have resisted the COVID-19 crisis rather well. This is reflected in the number of transactions, as transactions dropped during the first lock-down but rebounded through the summer months. Despite the 13% fall the number of transactions in second-hand dwellings remained high at 925,000 units. Those for new dwellings recorded a slightly worse figure with a 25% decrease. The construction of individual houses fell by 12.5%.

Amongst the eastern countries, in **Hungary** supply continued to decrease. The number of newly issued building permits was 4,803, 48% less than in the same period of 2019. Likewise supply fell even more in Budapest, were building permits decreased by 84%. Nevertheless, supply was slightly sustained by the completion of dwellings started in previous years. In Q3 2020, 4,179 dwellings were completed, 9% more than in 2019. Moreover, about 18% of these were situated in Budapest, however, this is 35% less than in the same quarter of the previous year. In **Romania** during the first three quarters of the year construction volumes for residential buildings increased by a significant 19.1% compared to the same period of the previous year. At the same time costs for residential construction also increased by 1.3% y-o-y. But, on the other hand, in this same period the number of permits issued decreased by 4.9% y-o-y, confirming different trends in the evolution of supply.

Moving to the South, in **Spain** the pandemic accelerated the already present contraction of the construction sector. Yet in the third quarter of the year a slightly smaller drop in the number of new building permits was observed. These dropped by 18.5% yearly, significantly less than the 37.2% drop registered during the previous quarter. The high degree of uncertainty around the health situation and the economy could explain the dynamics observed, and this could even further discourage supply in the near future. But not only supply is contracting, demand is also falling and it reached levels not seen since the financial crisis of 2008. The lack of confidence in the market and the difficulties imposed by social-distancing measures to close bilateral deals as well as the reduction of foreign buyers are considered to be the main drivers behind the drop in demand. Sales volumes from foreigners decreased by 6.3% y-o-y, while domestic buyers increased their purchases by 9.4% after the 44.3% drop registered the previous quarter. Moving to the right in the European map we arrive in **Italy** where despite the impact of the COVID-19 crisis, the residential market recorded a positive evolution in Q3 2020. In this context, transactions amounted to 141,000 a 3.1% more than the same period of 2019.

We end in **Ireland** where housing construction also continued to fall due to the impact of the restrictions economic activity associated with the pandemic. Approximately 5,100 new dwellings were completed this quarter according to the Central Statistics Office (CSO), 9.4% or some 500 units less than in Q3 2019. In this context, Dublin saw the biggest drop with completions down by 40.9% to 1,154 units, while completions in the Dublin Commuter region (Louth, Meath, Kildare and Wicklow) fell by 11.4% y-o-y to 1,303 making it the most active region for the second successive quarter. Not only the number of completions but the number of housing starts also fell by 28.4% y-o-y. The Dublin and Dublin Commuter regions were the ones hit the hardest with starts down by a quarter and a half to 1,935 and 1,114 respectively. Likewise the number of residential properties sold to households fell by 34.4% y-o-y recording the least activity since Q3 2013. The sale of new properties fell by 25.5% y-o-y to almost 1,700 while sales of apartments fell by 45%. Despite all regions recording year on year declines of at least 24% Dublin was again the hardest hit with sales down by 40.6% y-o-y to 2,374.

HOUSE PRICES

Even though the COVID-19 pandemic has not affected house prices as much as was expected at n the start of the crisis, the effects are still noticeable and in some countries in particular. While most countries have only experienced a slowdown in their house price growth, some are recording small contractions on a yearly basis.

Starting with **Sweden**, at the beginning of the year a slow down in house price growth was observed as a consequence of the COVID-19 outbreak, and prices decreased slightly on a month to month basis. In the second quarter of the year, however, the price of single-family homes started to grow, a growth that continued throughout Q3 2020. Moreover, in this quarter prices for apartments also grew. In figures, the prices for single-family house increased by 6.3% y-o-y, following the 5.3% price increase recorded in Q2 2020. Likewise apartment prices recovered and grew by 4.3% y-o-y. The stronger price increase of single-family houses is mainly due to the increase in demand for this type of housing as a consequence of the pandemic and increased teleworking, as more and more families prefer to live in the suburbs in bigger houses rather than in the city centre in small apartments. In relation to apartments, there also seems to be a shift in demand towards larger apartments, most likely for the same reason. Finally, the increase in demand for vacation houses has also pushed prices upwards. At city level, prices for single-family homes in Stockholm increased by 6.6% y-o-y while in the Malmo-area these increased even further by 8.3% on a yearly basis. In Gothenburg, prices increased by 4.4% for single-family homes and by 2.6% for apartments. Finally, in Malmo, apartment prices increased by 5.4%. This trend of growing prices accelerated in October when single-family house prices increased by 10% y-o-y and those of apartments by 5%. Likewise in **Denmark** prices continued growing in the third quarter of the year, posting a yearly increase of 4% and a quarterly growth of 2.7%. At the same time, prices for owner-occupied apartments rose by 5.9% y-o-y and 2.8% on a quarterly basis. Finally, in **Finland** the evolution of prices greatly differed depending on the area. Prices in big cities continued growing as demand for housing in these areas increased, however prices in more rural areas continued declining as people moved to the big cities and demand for housing therefore significantly decreased in those areas.

We continue with **the Netherlands** where house prices also grew by 8.1% on a yearly basis. In this context, house prices in Amsterdam grew at a slower pace during the third quarter of 2019, meaning houses in the capital city are relatively cheaper compared to the rest of the country. The other three large Dutch cities have also, to a lesser extent, experienced a slowdown in house price growth. The main driver behind this price development has been, on the one hand, strong demand and limited supply and, on the other hand, the fact that the low level of mortgage interest rates has not yet been fully reflected in house prices. In **Germany** the property market remained robust also in the third quarter and no signs of decline of property prices as result of the pandemic were seen. Prices for owner-occupied housing increased by 7.3% y-o-y and by 4% compared to the beginning of 2020. Likewise prices of single-family houses and apartments grew by 7.4% and 6.7% y-o-y, respectively. Despite the fact that house price figures for **Belgium** for

Q3 2020 are not yet available, looking at those from the notary barometer we observe that despite the COVID-19 crisis house prices continued growing during the summer months. At the end of August the average price of a house in Belgium increased to EUR 274,409, a growth of 4.7% y-o-y. Regional differences remained. In the Brussels region the average house price increased by 3.9% y-o-y, while in Flanders the growth was 5.5% and an increase of 5.3% was registered in Wallonia. A similar evolution was recorded for apartment prices. The average price of apartments in Belgium went up by 6.7% y-o-y. The highest growth was recorded in Brussels where prices increased by 8.3%, this was followed by Wallonia with a growth of 6.6% and, finally, by Flanders where apartment prices grew by 6.0%. In **France** house prices continued growing through the crisis, however, a slowdown can be observed. In Q3 2020 house prices grew by 5.2% y-o-y.

Moving to the East, in **Hungary** the latest data from Q2 2020 shows a drop in house prices of 3.9% q-o-q. Furthermore, in Budapest where house prices were growing above the country average of 2014, the drop was even more significant with a 5.6% contraction q-o-q. On the other hand, in **Romania** residential property prices in Q2 2020 (latest data available) increased by 6.6% in nominal terms (3.6% in real terms), a growth 1.5 pps lower than the one recorded the previous quarter. Despite this positive evolution banks are less optimistic for Q3 2020 and the majority of them expect property prices to remain unchanged and some even predict a small relative drop in house prices for the next quarter. Finally, for the last quarter of the year, the majority of banks expect prices to remain stable.

Moving south, in **Spain** house prices witnessed a slight recovery with an increase of 0.6% q-o-q. This positive evolution was mainly the result of the lifting of some COVID-19 related restrictions. However, on a yearly basis, house prices are still 1.1% below the value recorded in Q3 2019. Likewise **Portugal** experienced an improvement in the general market climate when compared to the results of the previous quarter. This positive evolution was mainly due to the reduction of mobility restrictions that helped the recovery of demand, although house prices are expected to decline by 1% in the coming 12 months. Across regions, expectations are better in Lisbon and marginally weaker across Porto and Algarve. In **Italy** house prices decreased in quarterly terms but experienced a positive evolution on a yearly basis. The housing price index decreased by 2.5% q-o-q and grew by 1.0% y-o-y. This yearly growth was mainly due to the increase of new dwelling prices by 3.0% and of existing dwellings by 0.7%.

In **Ireland** residential property prices decreased by 0.8% y-o-y as of September 2020. However, the prices of new dwellings were up 1.7% y-o-y and prices of existing dwellings fell by 1.6%. This was the ninth consecutive quarter in which new property prices rose faster than those for existing properties. Prices in Dublin fell by 1.8%, the 12th year-on-year decline in 14 months. However, residential property prices outside Dublin rose by 0.1% year on year.

In the **UK** during the third quarter of 2020 homebuyers have been rushing to complete purchases before the Stamp duty holiday deadline at the end of March next year. This increase in demand has seen house prices pick up as a result. According to HM Treasury, the average UK house price in the third quarter of the year was GBP 240,382. Property prices rose by 3.5% compared to the previous quarter, and 3.1% compared to Q3 2019. It is expected that house prices could fall back in 2021 once the stamp duty holiday has come to an end.

MORTGAGE INTEREST RATES

The situation with regard to mortgage interest rates in Europe in Q3 2020 remained virtually unchanged compared to the previous quarter. Despite interest rates generally remaining low slight movements can be observed in some jurisdictions as presented below.

Starting in **Sweden** a lower average interest rates was recorded at 1.49%. Despite short fixed-term and variable interest rates remaining stable during the year, a small decrease occurred in the third quarter. Likewise longer fixed period interest rates decreased somewhat in the third quarter after a light increase in the previous months. In **Denmark** the average interest rate on mortgage loans increased, except for loans with fixed period up to one year, recording an average of 0.76%. The average interest rate on loans with a short-term fixed period fell by 23 bps while the average interest rate for loans with a medium and long-term fixed period fell by 22 and 24 bps, respectively. Finally, **Finland** continued to record the lowest average interest rate of our sample, with 0.72% in Q3 2020.

In the centre of Europe despite having slightly higher average interest rates than the Nordics, rates continued falling. In **the Netherlands** mortgage interest rates remained low in the third quarter. The average rate for long-term fixed interest rates decreased slightly to 20.4%, while the shortest-fixed period interest rate slightly increased to 1.71%. In **Germany** the average mortgage interest rate decreased slightly to 1.24%. Likewise, in **Belgium** the average interest rate slightly decreased to 1.40%. In this context, the market share of new fixed rates for a period of more than 10 years increased to over 84% in the third quarter. Moving further down to **France** we observe that interest rates also remained low, easing borrowers' solvability. The average interest rate at 1.22% was slightly lower than the previous quarter.

In **Hungary**, the Central Bank rate was reduced from 0.9% to 0.75% in June, and further decreased to 0.6% as of July. Regarding mortgages the most popular interest rate type was medium term-fixed representing more than 59% of all newly issued mortgages. The representative rate for this product was 4.15%. Meanwhile the proportion of variable rate mortgages was only 1% of newly issued loans. In **Romania** during the third quarter, the representative mortgage interest rate was 5.25%, slightly higher than the one from the previous quarter, +0.03 pps q-o-q, although this is still 0.13 pps lower than the one registered in the same period of 2019. In this context, the share of mortgage loans granted with a variable interest rate decreased to an historically low level of 66.5%, a drop of 5.5 pps with respect to Q2 and 12.9 pps less than the same quarter of the previous year. This clearly shows the increasing preference for fixed interest rates for all maturities and particularly for long-term fixed interest rates which reached the highest share ever with 17.1% of the market. Moreover, short-term fixed loans increased by 0.5 pps, medium-term fixed loans increased by 0.91 pps and long-term fixed loans increased by 4.1 pps.

In the south, in **Spain**, mortgage interest rates remain low and attractive, with a weighted average of 1.75% unchanged from the previous quarter. Overall, the trend in consumer preferences also remained unchanged, as variable interest rates represent around 35% of the market, medium-term fixed loans account for 22% and fixed arrangements gained some momentum reaching a share of 43% of the market. **Portugal** experienced a slight decrease of the average interest rate for new loans which went from 1.08% to 0.82%. Finally, in **Italy** interest rates remained unchanged at 1.27%. More in detail, interest rates with a maturity of over 1 year decreased to 1.34% while those with a maturity of over 1 year remained constant at 1.25%.

In **Ireland** in Q3 2020, fixed-rate mortgages accounted for almost 79% of new mortgages issued – the highest proportion since the data series began in 2003. Some 37% of the value of outstanding mortgages was on ECB base rate-linked tracker mortgage rates in Q2 2020, while the share of mortgages outstanding which had interest rates fixed over three and up to five years rose from 8.5% in June 2018 to 20.1% in Q2 2020.

In the **UK** there was a mixed picture in regards to mortgage interest rates in the third quarter of the year, which have been affected by increased levels of demand, plus lenders managing their risk exposure. Average rates on tracker mortgages increased to 1.58% in Q3 from 1.50% in Q2. However, fixed rates fell across both shorter and longer maturities. Short term fixed rates (2-5yrs) fell to 1.74% in Q3 from 1.77%. Longer term rates (5-10yrs) in Q2 also fell to 2.13% from 2.29% in Q2. When split by LTV, fixed rate products at higher LTVs increased, somewhat significantly at the 95% level, as lenders tried to reduce exposure to riskier lending during this heightened period of uncertainty due to COVID-19.

COVID-19 RELATED IMPACT

In Q3 most jurisdictions partially lifted the strict confinement rules imposed in Q2 to allevaite the effects of the pandemic. This partial removal of the measures due to the positive evolution of the pandemic gave some oxygen to the economy and allowed housing and mortgage markets to slightly pick up again. However, many jurisdictions still have measures in place to continue supporting the economy as many sectors still record very low or no activity. Therefore, the real effects of the pandemic on the economy will only become clear in the months to come.

We start this overview in **Sweden** where the impact of COVID-19 in the first three quarters of the year was all together relatively mild as a result of measures taken by authorities and banks in all areas. Likewise in **Denmark**, despite the continued restrictions and their economic consequences, housing and lending markets remained robust. Prices kept rising across the country for both houses and owner-occupied apartments. At the same time, lending continued increasing despite still being under 2019 levels. Meanwhile the impact of COVID-19 in Finland was mainly reflected in the consumer sentiment and the demand for new dwellings which declined notably, although the situation is starting to recover. Moreover, is important to note that **Finland** did not introduce relief measures such as the EBA Guidelines on moratoria or any public guarantee scheme. In Finland the social security system aims at safeguarding sufficient economic security in all possible situations, and the welfare system, known as one of the most advanced and comprehensive in the world, provides a buffer to household for crisis such as the one created by the COVID-19 pandemic.

In **the Netherlands** the pandemic has not affected the number of transactions, but a change in in demand trends has been observed as households turn towards housing on the outskirts over cities. Furthermore, the COVID-19 pandemic has not impacted on house prices, which have continued growing. Finally, consumer confidence levels in owner-occupied housing have now also returned to levels prior to the pandemic.

In **Belgium** to mitigate the effect of the COVID-19 crisis the government introduced measures such as the extension of the mortgage moratorium until 31 March 2021. Therefore, households, businesses and self-employed will be able to benefit from a capital and interest moratoria of up to three months. The conditions are the same as for the first moratorium, presented in the previous Quarterly Review. In addition to the extension, those with an income below EUR 1.700 a month will also be exempt from paying interest during the moratorium period. All in all, a loan can only benefit from 9 months of payment delay between the first and second moratorium.

In **Hungary**, as announced in our previous Quarterly Review, several measures were introduced to counterbalance the effects of the pandemic and support lending activity. One of them was the mortgage bond purchase programme which was resumed in May 2020 to stimulate frozen capital markets, this programme was in place until November 2020. In **Romania** although prices have stabilised and demand for housing has recovered, the uncertainty surrounding the economic recovery, both internationally and domestically, could put pressure on future developments. In the new economic setup, asset quality indicators are expected to slow their convergence towards low-risk buckets and even resume the trend towards higher-risk groups for households, in step with the evolution estimated for Europe's banking sector. The threat of a rise in the default rate for loans to households, including mortgage loans is expected to intensify. The future dynamic in NPLs will depend, besides the overall economic recovery, on the financial standing of the debtors who suspended their instalments through public and private moratoria.

In **Spain** in compliance with the EBA guidelines the deadline to apply for a moratorium has been extended until the end of March 2021, for both legislative and non-legislative moratoria and for a period not exceeding 9 months. To this end, from the end of September onwards the moratoria granted under the banking sector agreement will have a maximum term of 9 months for mortgage debtors and 6 months (as before) for non-mortgage loans. Looking at the figures, by the end of November, more than 1.5 mn applications for payment holidays were received, of which nearly 1.4 million were approved. The outstanding amount of loan payments suspended stood at more than EUR 56.5 billion (around 9% of the total outstanding amount). In the case of self-employed workers, the main sectors benefiting from these measures were hospitality activities, wholesale and retail trade as well as other tertiary activities. Together, they accounted for about 60% of the total holiday payments granted to self-employed workers.

In **Portugal**, as recalled in our previous Quarterly Review, a national six-month moratorium on bank loan repayments for families and companies affected by the COVID-19 was approved at the end of March 2020. With the reactivation of the EBA Guidelines on legislative and non-legislative moratoria on 2 December, credit agreements whose adherence to the moratorium is requested before 31 March 2021 will now have a maximum of 9 months to benefit from the measures in question. Credit agreements currently benefiting from the public Portuguese moratorium whose validity has been extended until 30 September 2021 will not be affected by this change. Looking at the figures and according to Banco de Portugal, until September 30, the date on which the deadline for bank customers to request access to the public moratorium expired, requests to benefit from the moratorium amounted to 751,725 loans. Of those credits in moratorium 42% were mortgage loans. COVID-19 has also influenced sales, as a generally subdued backdrop across the market is still observed as a consequence of the negative impact of the pandemic on consumer confidence. Market trends indicate a fall in new buyer enquiries in September and when looking at the regional breakdown, these declined particularly in Porto and Algarve while they remained flat in Lisbon. Going forward sales expectations are even less optimistic as September 2020 is expected to be the weakest month since April.

Italy has been strongly impacted by the COVID-19 crisis, especially in the number of transactions. Moreover, the future outlook is still uncertain. In the latest developments, in December 2020, ABI, the Italian Banking Association, extended the memorandum with consumer associations. This new memorandum allows borrowers to submit to the bank the request to suspend, for up to 9 months, the payment of the entire instalment or of the loan principal of (i) mortgages guaranteed by collateral on non-luxury properties (both residential and not residential) (ii) unsecured loans with instalments repayment, if certain conditions are met. As of 9 December banks received 2.7 million applications for debt moratoriums from households and NFCs, for a total value of approximately EUR 302 bn. It has been estimated that, in terms of the amounts involved, around 94% of the applications and notifications for moratoriums have been accepted by banks and only 3% rejected. Households applied for loans amounting to around EUR 97 billion. Applications for suspension of instalments on first home mortgage loans (via the 'Gasparrini' Fund), continued to increase (to 220,000), for an amount averaging around EUR 94,000. These results are extraordinary, considering the strict timeline and complexity of the measures, and testifies the strong commitment of Italian banks.

In **Ireland** the COVID-19 pandemic and the lockdown imposed to slow its spread had a severe impact on the economy with most sectors including construction closed between the end of March and mid-May. While restrictions were eased during the summer months, they were tightened again in late October, although construction was unaffected. The Central Statistics Office estimated the COVID-19 adjusted unemployment rate at 21% by November 2020, up from 15.9% in September, while the seasonally-adjusted standard unemployment rate was 7.5%, compared with 7.25% in September. Lenders, through BPFI, had put in place payment breaks on about 150,000 residential mortgage, consumer credit and SME lending accounts by the time applications closed at the end of September. Almost 66,000 of those accounts availed of six-month breaks, while the remainder were for up to three months. Some 83,000 residential mortgage accounts had payment breaks. Most payment breaks had expired by late October and returned to full repayments. The Central Bank of Ireland indicated that the share of owner-occupier mortgages with a payment break fell from 10% in late June to 1.5% in late October, with the most recent rate being slightly higher for BTL and consumer loans.

To conclude, in the **UK** the Job Retention scheme (JRS), where workers could be placed on leave and still receive 80% of their pay, up to a maximum of GBP 2,500 a month, paid for by the government, was due to close at the end of October and be replaced by the less generous Job Support Scheme (JSS). However this has now been extended until 31 April 2021. Those on the JRS are not classified as unemployed, and although unemployment has picked up in the third quarter of the year, the full impact on the labour market will not be fully realised until the Spring of next year.

CHART 1A | COUNTRIES WHERE GROSS RESIDENTIAL LENDING HAS REMAINED BELOW 80% OF 2007 LEVELS

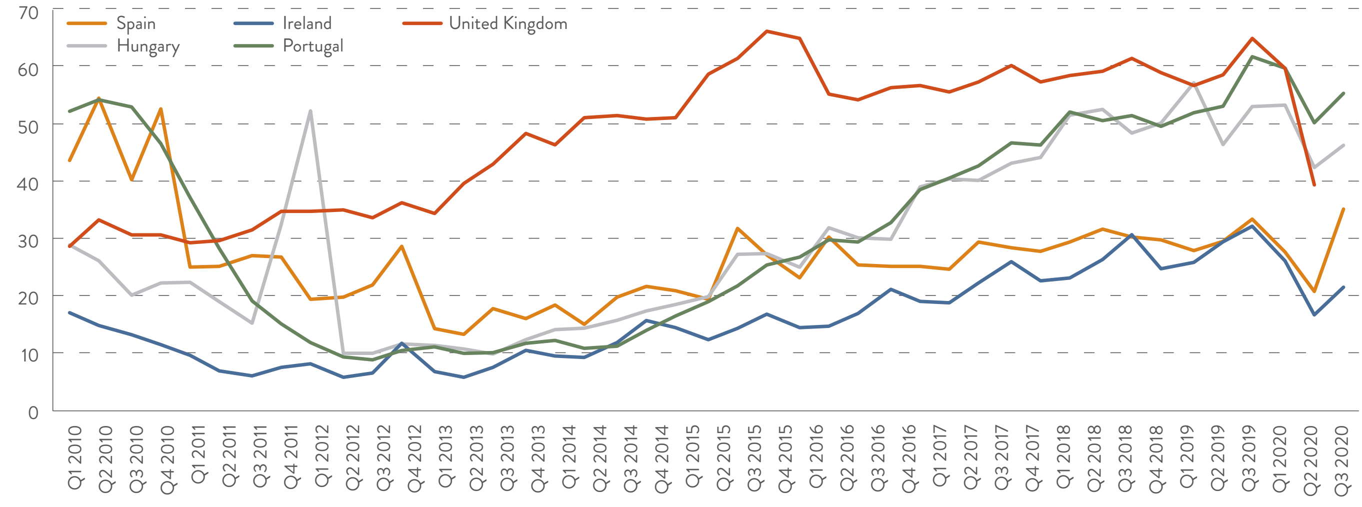


CHART 1B | COUNTRIES WHERE GROSS RESIDENTIAL LENDING HAS REMAINED BETWEEN 80% AND 120% OF 2007 LEVELS

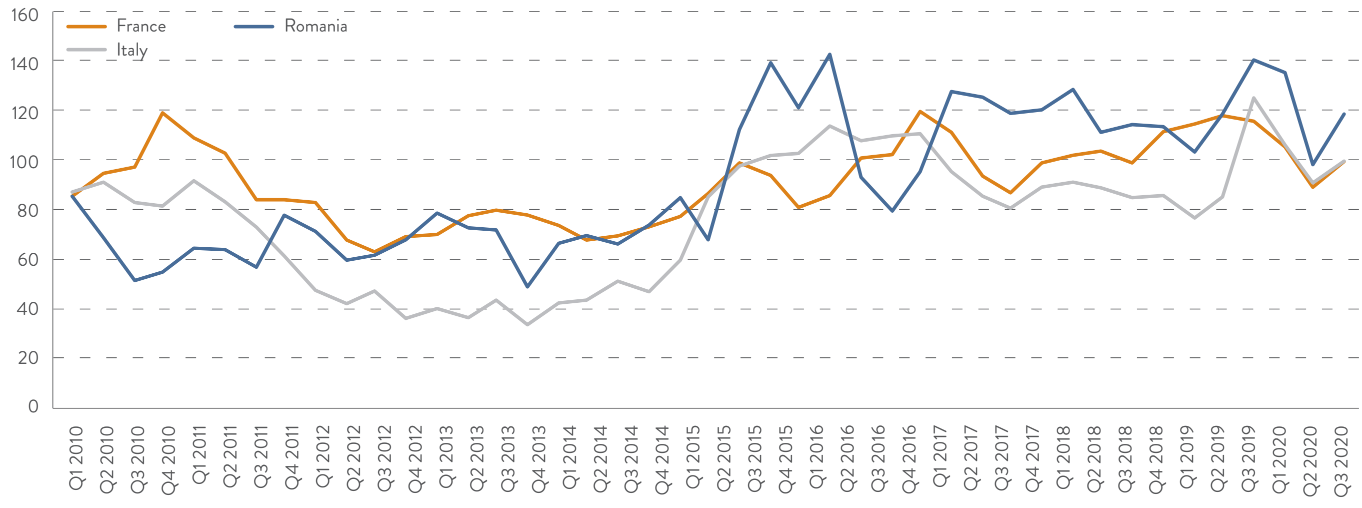


CHART 1C | COUNTRIES WHERE GROSS RESIDENTIAL LENDING HAS RISEN ABOVE 120% OF 2007 LEVELS

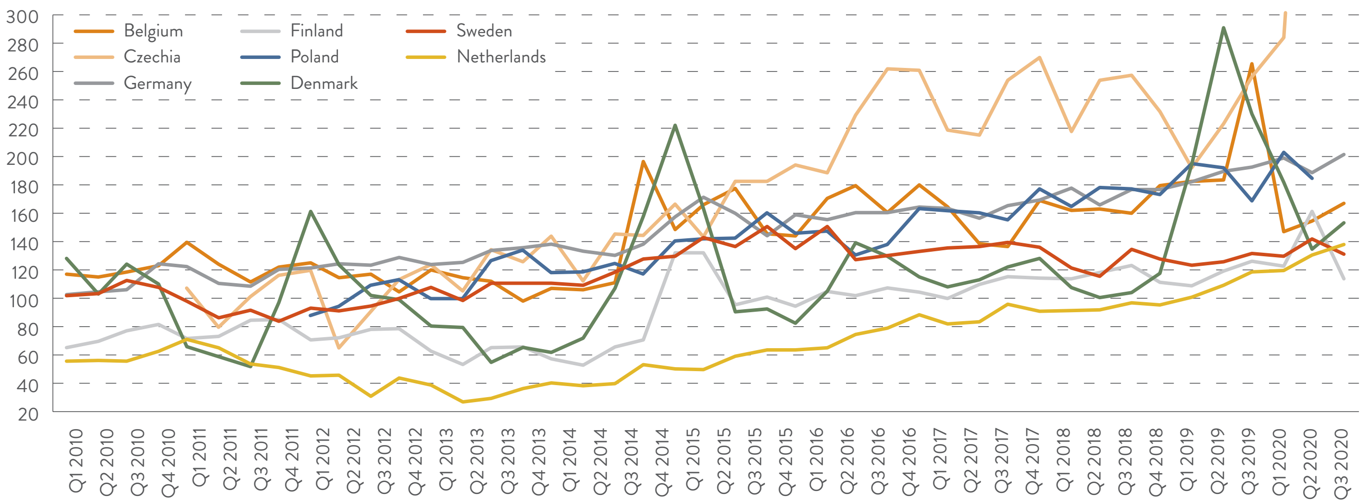
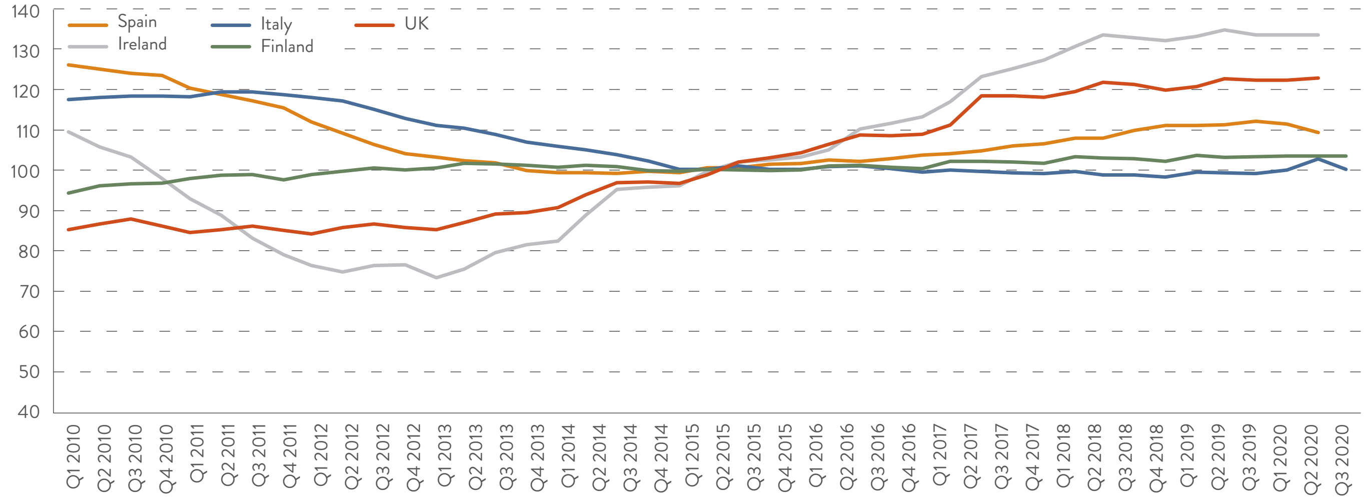
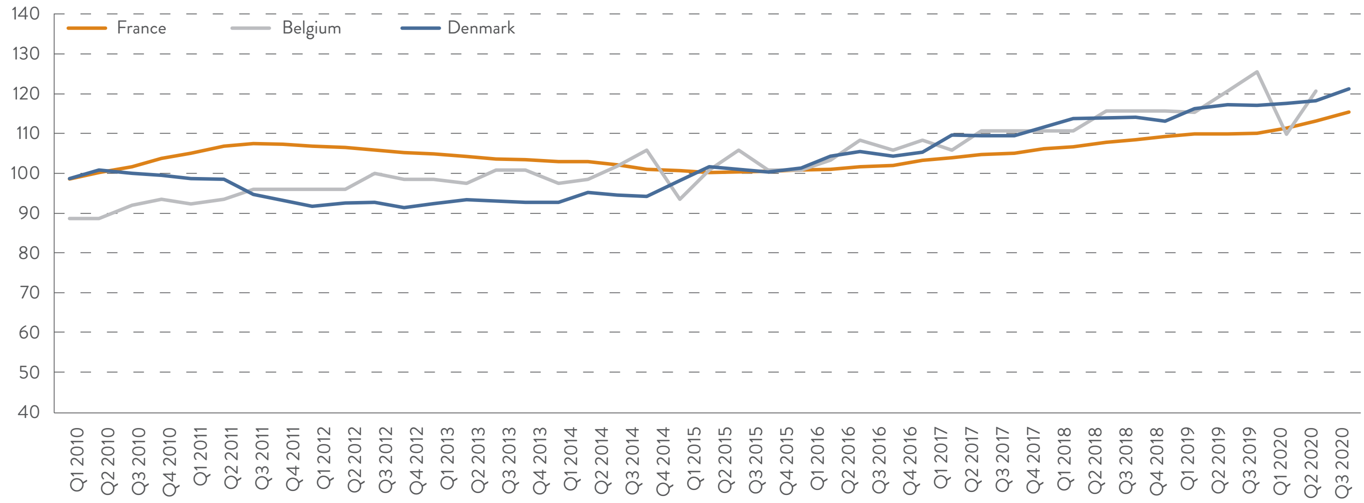


CHART 2A | COUNTRIES WHERE HOUSE PRICES* HAVE INCREASED AT MOST 2% Y-O-Y



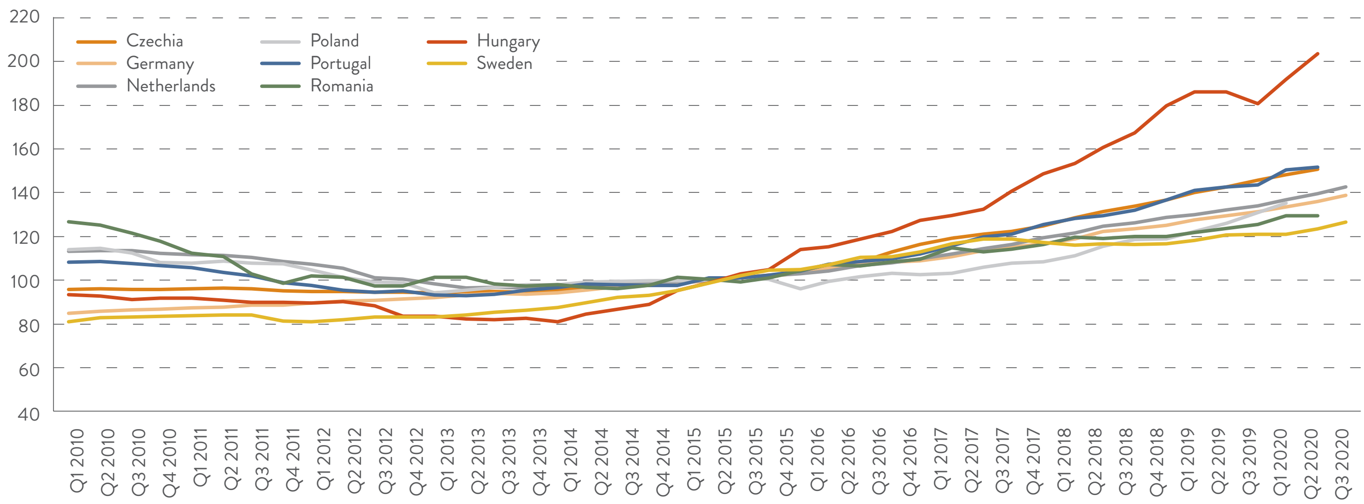
** Average Q1-Q4 2015=100*

CHART 2B | COUNTRIES WHERE HOUSE PRICES* HAVE INCREASED BETWEEN 2% AND 5% Y-O-Y



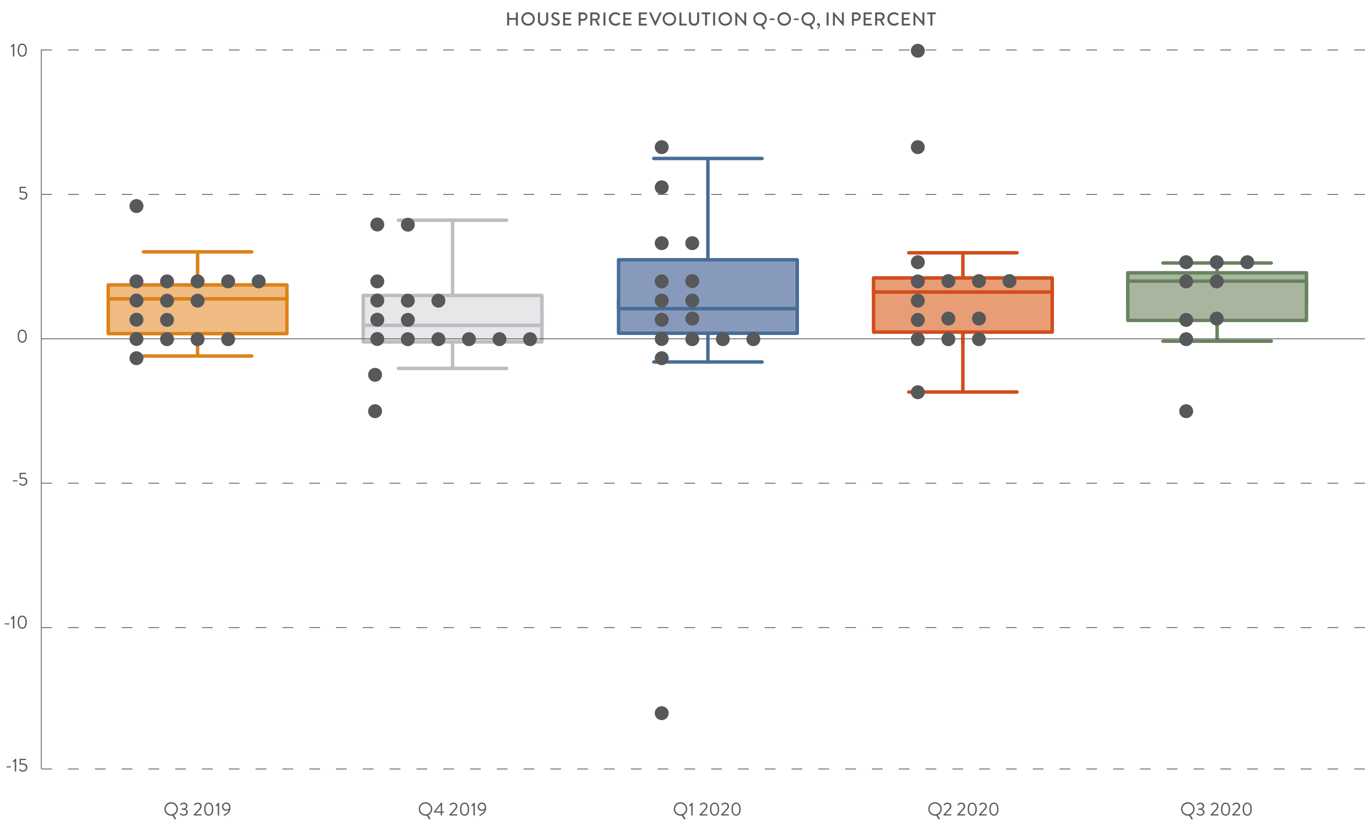
** Average Q1-Q4 2015=100*

CHART 2C | COUNTRIES WHERE HOUSE PRICES* HAVE RISEN BY AT LEAST 5% Y-O-Y



** Average Q1-Q4 2015=100*

CHART 3 | BOX PLOT OF THE HOUSE PRICE EVOLUTION IN THE EU WITH RESPECT TO THE PREVIOUS QUARTER



NOTES:
Boxplots depict intuitively the distributional characteristics of a dataset, in this case the q-o-q House Price Index evolution of the country sample. The rectangle represents the second and third quartile of the data and the central horizontal line indicates the median value, i.e. the value that splits the sample in two equal halves. The horizontal lines below and above the box indicate respectively the lower and the upper quartiles. Eventual 'outliers' are depicts as points if they are more than 1.5 times the interquartile distance – the height of the box – away from respectively Q1 or Q3.

The dataset shows q-o-q growth figures of the country sample until Q3 2020 for which there are 9 datapoints instead of 16, as in 7 countries the latest House Price Index available was that of Q2 2020.

TABLE 1 | TOTAL OUTSTANDING RESIDENTIAL MORTGAGE LENDING (MILLION EUR)

	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020	LATEST Y-O-Y CHANGE (%), Q3 2020, EUR VALUES	PREVIOUS Y-O-Y CHANGE (%), Q2 2020, EUR VALUES	LATEST Y-O-Y CHANGE (%), Q3 2020, LOCAL CURRENCY	PREVIOUS Y-O-Y CHANGE (%), Q2 2020, LOCAL CURRENCY
BE	249,002	252,718	256,433	263,419	264,163	266,369	269,537	5.1	5.4	5.1	5.4
CZ	45,467	46,696	46,953	48,658	45,998	47,932	48,124	2.5	2.6	8.1	7.9
DE	1,461,007	1,485,203	1,509,140	1,530,435	1,549,693	1,571,876	1,599,644	6.0	5.8	6.0	5.8
DK	252,648	254,946	256,901	257,001	256,393	260,710	264,205	2.8	2.3	2.6	2.1
ES	489,859	489,192	485,646	487,561	484,917	482,704	481,752	-1.6	-1.3	-1.6	-1.3
FI	98,067	98,921	99,631	100,354	100,694	101,488	102,462	2.8	2.6	2.8	2.6
FR	1,022,000	1,040,000	1,060,000	1,078,000	1,090,000	1,101,000	1,116,000	5.3	5.9	5.3	5.9
HU	13,647	13,758	13,387	13,715	12,781	13,116	13,098	-2.2	-4.7	6.8	5.1
IE	94,919	93,274	93,117	92,791	91,615	91,100	90,614	-2.7	-2.3	-2.7	-2.3
IT	380,006	382,222	383,732	382,583	383,472	386,130	388,160	1.2	1.0	1.2	1.0
NL	726,783	731,029	733,835	734,556	736,695	740,220	745,090	1.5	1.3	1.5	1.3
PL	97,918	100,520	100,604	104,196	101,192	n/a	n/a	n/a	n/a	n/a	n/a
PT	93,768	93,878	93,906	93,846	94,056	94,522	95,108	1.3	0.7	1.3	0.7
RO	15,835	16,185	16,568	16,999	17,214	17,508	17,804	7.5	8.2	10.2	10.6
SE	408,320	408,027	407,357	422,742	404,740	435,349	437,829	7.5	6.7	6.2	6.0
UK	1,647,310	1,588,311	1,622,467	1,707,200	1,652,586	1,609,263	1,620,199	-0.1	1.3	2.9	3.1

NOTE: Non seasonally-adjusted data.

Source: European Mortgage Federation

Please note that the conversion to euros is based on the bilateral exchange rate at the end of the period (provided by the ECB).

DK – Only owner occupation, only mortgage banks - gross lending for house purposes not available for commercial banks starting Q3 2013.
PL – Adjusted for loan amortisation and flows between the foreign currency loan portfolio and the zloty loan portfolio; the entire banking system was taken into account, including credit unions.
CZ – The series has been distorted at 2018A4 due to the change of definition of the statistics and the splitting according to fixation

The series has been revised for at least two figures in:
- Denmark

TABLE 2 | GROSS RESIDENTIAL MORTGAGE LENDING (MILLION EUR)

	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020	LATEST Y-O-Y CHANGE (%), Q3 2020, EUR VALUES	PREVIOUS Y-O-Y CHANGE (%), Q2 2020, EUR VALUES	LATEST Y-O-Y CHANGE (%), Q3 2020, LOCAL CURRENCY	PREVIOUS Y-O-Y CHANGE (%), Q2 2020, LOCAL CURRENCY
BE	9,320	10,099	9,129	10,350	10,497	16,194	7,259	8,726	9,547	-9.1	-15.7	-9.1	-15.7
CZ	2,962	3,024	2,411	2,710	2,596	3,015	3,037	7,368	3,825	47.4	171.9	55.5	185.7
DE	57,500	59,600	54,800	59,800	65,500	64,900	62,400	62,000	69,600	6.3	3.7	6.3	3.7
DK	9,629	10,191	9,591	16,547	26,787	21,549	15,387	11,164	14,410	-46.2	-32.5	-46.4	-32.6
ES	9,943	11,210	10,596	11,498	9,155	12,341	9,830	8,865	11,234	22.7	-22.9	22.7	-22.9
FI	8,334	8,265	7,831	8,995	8,411	8,468	8,667	12,859	8,003	-4.9	43.0	-4.9	43.0
FR	47,574	42,960	44,379	48,111	53,860	50,305	41,653	36,918	45,811	-14.9	-23.3	-14.9	-23.3
HU	804	695	673	842	715	762	720	626	714	-0.1	-25.7	9.0	-18.1
IE	2,369	2,635	1,884	2,250	2,639	2,768	1,996	1,462	1,957	-25.8	-35.0	-25.8	-35.0
IT	15,464	17,882	15,752	15,272	14,754	25,729	19,728	18,024	17,599	19.3	18.0	19.3	18.0
NL	27,444	29,230	25,205	29,227	32,567	35,628	32,369	37,985	41,089	26.2	30.0	26.2	30.0
PL	3,045	2,926	2,759	3,448	3,283	2,776	3,268	n/a	n/a	n/a	n/a	n/a	n/a
PT	2,519	2,542	2,349	2,577	2,646	3,047	2,848	2,494	2,755	4.1	-3.2	4.1	-3.2
RO	682	692	545	579	725	840	670	549	725	0.1	-5.0	2.7	-2.9
SE	11,656	15,794	12,732	14,526	12,812	15,439	12,914	16,615	13,466	5.1	14.4	3.9	13.6
UK	80,717	78,803	72,117	71,499	79,822	83,277	73,205	49,061	66,788	-16.3	-31.4	-13.8	-30.2

CZ – Data break on Q1 2013 due to change in sources
IT – Latest data is an estimation

Source: European Mortgage Federation

The series has been revised for at least two figures in:
- Czechia

TABLE 3 | CHANGE IN OUTSTANDING RESIDENTIAL LOANS (MILLION EUR)

	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
BE	3,348	2,747	3,499	3,195	3,863	2,474	3,716	3,715	6,986	744	2,206	3,168
CZ	1,544	875	675	810	844	1,722	1,229	257	1,705	-2,660	1,933	192
DE	12,835	11,652	19929	20,700	14,896	15,020	24,196	23,937	21,295	19,258	22,183	27,768
DK*	1,019	399	3345	313	502	3,190	2,298	1,956	100	-608	4,318	3,494
ES	-4,057	-3,129	2,137	-1,965	-2,370	-947	-667	-3,545	1,915	-2,644	-2,213	n/a
FI	457	109	843	474	337	286	854	710	722	340	794	974
FR	14,634	9,140	14,158	16,476	16,000	12,000	18,000	20,000	18,000	12,000	11,000	15,000
HU	-42	-254	214	506	218	43	111	-371	328	-935	335	-18
IE	-2,665	-508	-637	-227	-3,029	-2,765	-1,645	-157	-326	-1,176	-515	-486
IT	2,007	1,263	33	1,438	928	952	2,216	1,510	-1,149	889	2,658	2,030
NL	1,134	25,890	2955	3,186	5,459	3,140	5,113	7,052	3,527	2,860	5,664	n/a
PL	1,773	309	1418	3,100	1,101	1,191	2,601	84	3,592	-3,004	n/a	n/a
PT	-260	-270	-83	54	158	-184	110	28	-60	210	466	586
RO	314	324	461	386	383	50	350	384	431	215	294	296
SE	-1,615	-10,774	4458	10,660	7,535	-853	-293	-670	15,384	-18,001	30,608	2,480
UK	2,095	31,179	2,493	11,021	3,660	72,424	-58,999	34,157	84,733	-54,614	-43,323	10,936

* Due to the review of the official registers in Denmark, there is a slight change in the exact composition of the household sector. As such, there is a data break starting Q3 2013.

Source: European Mortgage Federation

Please note this variable is the result of the variation between the two consecutive amounts of outstanding residential mortgage lending (Table 1).

Refer to Table 1 for eventual revisions.

TABLE 4 | HOUSE PRICE INDICES, 2015 = 100

	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
BE	105.7	110.6	110.6	110.6	110.6	115.8	115.8	115.8	115.4	120.9	125.8	109.8	120.9	n/a
CZ	119.1	121.2	122.3	125.0	128.6	131.7	134.3	137.2	140.5	143.3	146.3	149.0	151.4	n/a
DE	110.9	113.5	115.2	117.0	119.2	122.7	124.0	125.4	128.0	130.1	132.1	134.2	136.7	139.6
DK	109.6	109.4	109.4	111.7	114.0	114.0	114.2	113.2	116.5	117.5	117.3	117.8	118.5	121.6
ES	103.7	104.4	105.6	106.2	107.6	107.7	109.7	110.9	111.0	111.1	112.1	111.2	109.1	109.8
FI	102.4	102.4	102.3	101.9	103.8	103.3	103.1	102.5	104.1	103.5	103.7	104.0	104.0	104.0
FR	103.6	104.5	104.9	106.0	106.6	107.7	108.4	109.2	110.0	110.0	110.2	111.5	113.5	115.7
HU	129.3	132.2	140.6	148.5	153.3	160.8	167.6	180.0	186.3	186.3	180.9	192.2	204.2	n/a
IE	116.9	123.3	125.3	127.5	130.8	133.7	133.1	132.3	133.5	135.1	133.7	133.8	133.7	134.4
IT*	99.6	99.2	98.8	98.6	99.2	98.4	98.3	97.7	99.1	98.8	98.6	99.5	102.4	99.8
NL	111.7	114.4	116.3	119.4	121.7	124.9	126.6	128.9	130.3	132.7	134.6	137.5	140.2	143.5
PL	102.9	105.5	107.6	108.4	111.2	115.5	118.7	119.1	122.8	126.5	131.6	136.1	n/a	n/a
PT	115.5	119.6	121.1	125.6	128.5	129.7	132.3	137.1	141.5	143.1	144.1	151.2	152.5	153.3
RO**	114.8	113.0	114.3	116.6	120.2	119.4	120.4	120.5	122.3	124.1	126.1	130.2	130.4	n/a
SE	117.1	119.6	119.6	117.9	116.6	117.2	117.0	117.3	118.9	121.3	121.6	121.6	124.2	127.5
UK	111.2	118.7	118.6	118.3	119.7	122.0	121.4	120.0	121.0	123.0	122.5	122.4	122.4	126.8

* 2010=100
** 2009=100

Source: European Mortgage Federation

It is worth mentioning that house prices are calculated according to different methodologies at the national level.

Further information below:
- Belgium: Stadim average price of existing dwellings
- Czech Republic: Data break in Q1 2008
- Germany: all owner-occupied dwellings, weighted average, VdP index
- Denmark: one-family houses - total index unavailable from source
- France: INSEE "Indice des prix du logement" (Second-hand dwellings - metropolitan France - all items).
- Greece: urban areas house price index (other than Athens); the time series has been updated
- Hungary: FHB house price index (residential properties)
- Ireland: new series of House Price Index of the Central Statistics Office
- Netherlands: Source: ECB. Data on existing dwellings.
- Poland: Weighted average price for the seven largest Polish cities
- Portugal: Statistics Portugal house price index
- Spain: new house price index, first released by the Ministry of Housing on Q1 2005
- Sweden: index of prices of one-family homes.
- UK: Department of Communities and Local Government Index (all dwellings)

The series has been revised for at least two figures in:
- Czechia
- Ireland
- Sweden
- UK

TABLE 5A | MORTGAGE INTEREST RATES (%, WEIGHTED AVERAGE)

	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
BE	2.16	2.13	2.03	2.01	2.01	1.95	1.95	1.91	1.79	1.68	1.56	1.66	1.48	1.40
CZ*	2.10	2.11	2.19	2.34	2.43	2.49	2.68	2.80	2.74	2.58	2.38	2.41	2.36	2.17
DE	1.83	1.85	1.83	1.85	1.90	1.87	1.86	1.79	1.63	1.39	1.28	1.28	1.30	1.24
DK**	1.09	0.94	0.87	0.87	0.84	0.79	0.76	0.78	0.73	0.56	0.56	0.57	0.67	0.76
ES	1.92	1.99	1.91	1.96	1.94	1.96	2.01	2.11	2.12	1.95	1.76	1.81	1.75	1.75
FI	1.07	1.02	0.95	0.92	0.87	0.88	0.86	0.81	0.76	0.72	0.73	0.71	0.73	0.72
FR***	1.54	1.55	1.52	1.48	1.45	1.43	1.41	1.42	1.29	1.19	1.12	1.13	1.25	1.22
HU	3.59	3.43	3.01	4.31	4.31	4.87	5.45	5.17	5.04	4.86	4.39	4.17	4.24	4.15
IE	3.22	3.20	3.07	3.02	3.06	2.97	2.95	2.96	2.95	2.93	2.87	2.78	2.78	2.80
IT	2.10	2.02	1.90	1.88	1.80	1.80	1.89	1.85	1.77	1.44	1.44	1.38	1.27	1.27
NL**	2.42	2.42	2.41	2.39	2.41	2.40	2.40	2.41	2.31	2.16	2.09	1.88	1.77	1.77
PL	4.40	4.40	4.40	4.30	4.30	4.40	4.40	4.30	4.30	4.40	4.30	4.30	n/a	n/a
PT	1.61	1.48	1.52	1.51	1.41	1.33	1.63	1.31	1.32	1.02	1.09	0.95	1.08	0.82
RO****	3.34	3.61	4.42	4.77	4.99	5.48	5.70	5.85	5.17	5.38	5.41	5.31	5.22	5.25
SE	1.52	1.53	1.56	1.52	1.51	1.48	1.47	1.57	1.53	1.52	1.46	1.53	1.54	1.49
UK	2.05	1.98	1.98	2.03	2.09	2.10	2.10	2.11	2.08	2.05	1.92	1.84	1.77	1.74

Source: European Mortgage Federation

* For Czechia from Q1 2015 the data source is the Czech national Bank
** This data series has been revised and it depicts the variable interest rate, which is the most common one.
*** Data from Q2 2012 has been revised for France due to a new source. Further data break in Q1 2014
**** Recalculation of the interest rate as a weighted average of interest rates in local currency and euro (previously weighted average only of euro denominated mortgages). Data break from Q1 2014.

NOTE:
Data refers to quarter averages.
For Czech Republic the weighted average for the whole market is likely biased towards the short-term loans. This is due to the available weighting scheme: the loan volumes include prolongations, but prolongations tend to have shorter interest rate periods.
For Hungary the represenative interest rate on new loans in Q1 2018 is not any more the variable rate, but the short-term fixed one (1y-5y)

The series has been revised for at least two figures in:

- Romania

TABLE 5B | MORTGAGE INTEREST RATES

VARIABLE RATE AND INITIAL FIXED PERIOD RATE UP TO 1 YEAR (%)

	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
BE	1.95	1.58	1.51	1.57	1.56	1.82	1.87	1.84	1.94	1.87	1.79	1.92
CZ	2.65	2.58	2.55	2.76	3.14	3.15	3.10	3.00	3	2.75	2.54	2.21
DE	2.05	2.05	2.08	2.14	2.04	2.06	2.01	1.91	1.85	1.83	1.88	1.79
DK*	0.87	0.87	0.84	0.79	0.76	0.78	0.73	0.56	0.56	0.57	0.67	0.76
ES	1.57	1.60	1.56	1.57	1.64	1.70	1.75	1.60	1.56	1.60	1.64	1.62
FI	0.94	0.90	0.84	0.85	0.86	0.82	0.77	0.73	0.76	0.79	0.77	0.73
FR	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
HU	3.01	3.18	3.18	3.41	2.78	3.53	3.23	3.62	3.03	3.01	3.26	3.07
IE	3.03	2.96	3.11	3.04	3.03	3.11	3.08	3.14	3.03	2.88	2.96	3.19
IT	1.53	1.54	1.47	1.51	1.52	1.47	1.48	1.37	1.37	1.35	1.37	1.34
NL	1.96	1.95	1.91	1.89	1.87	1.88	1.87	1.85	1.74	1.7	1.69	1.71
PT	1.52	1.51	1.41	1.33	1.36	1.31	1.32	1.02	1.10	1.02	1.16	0.92
RO**	4.46	4.78	4.48	5.41	5.55	5.75	5.01	5.27	5.28	5.15	5.11	5.15
SE	1.56	1.52	1.45	1.46	1.42	1.47	1.45	1.41	1.39	1.39	1.42	1.36
UK***	1.84	2.06	2.13	1.96	2.10	2.08	2.09	2.08	1.94	1.93	1.50	1.58

SHORT-TERM INITIAL FIXED PERIOD RATE, FROM 1 TO 5 YEARS MATURITY (%)

	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
BE	1.86	1.94	1.82	1.54	1.80	1.94	1.87	1.95	2.17	2.09	2.03	1.91
CZ	2.18	2.34	2.44	2.48	2.65	2.79	2.76	2.63	2.47	2.49	2.41	2.22
DE	1.70	1.72	1.74	1.72	1.71	1.66	1.48	1.4	1.33	1.32	1.46	1.39
DK*	1.12	1.12	1.17	1.24	1.17	1.01	0.80	0.50	0.65	0.80	0.94	0.71
ES	1.67	1.69	1.67	1.74	1.76	1.85	2.00	1.80	1.56	1.70	1.58	1.60
FI	1.15	1.18	1.02	1.06	1.04	1.05	1.07	1.16	1.09	1.01	1.02	1.38
HU	4.63	4.31	4.31	4.87	4.80	4.51	4.87	4.87	4.87	4.21	4.35	4.56
IE	3.10	3.07	3.03	2.94	2.92	2.90	2.90	2.85	2.82	2.74	2.72	2.70
NL	2.21	2.15	2.15	2.10	2.11	2.12	2.11	2.03	1.89	1.76	1.74	1.80
RO**	4.37	4.49	5.11	5.49	5.96	6.04	5.93	5.94	5.91	5.78	5.79	5.65
SE	1.65	1.67	1.61	1.60	1.57	1.57	1.49	1.46	1.41	1.41	1.46	1.42
UK	1.97	2.03	2.09	2.11	2.13	2.09	2.06	2.03	1.89	1.82	1.77	1.74

MEDIUM-TERM INITIAL FIXED PERIOD RATE, FROM 5 TO 10 YEARS MATURITY (%)

	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
BE	2.16	2.13	1.94	1.84	1.83	1.70	1.69	1.56	1.66	1.57	1.61	1.46
CZ	2.19	2.34	2.43	2.50	2.68	2.79	2.70	2.51	2.31	2.37	2.31	2.13
DE	1.67	1.69	1.76	1.71	1.71	1.64	1.47	1.24	1.12	1.12	1.13	1.09
DK*	1.58	1.61	1.72	1.67	1.57	1.25	1.00	0.73	0.77	0.92	1.07	0.84
ES	4.07	4.48	4.45	4.21	3.98	3.97	4.18	4.49	4.17	4.29	3.50	3.82
FI	1.80	1.90	1.70	1.90	2.00	1.84	1.46	1.33	1.52	1.62	1.58	1.58
HU	5.76	5.39	5.27	5.39	5.45	5.17	5.03	4.86	4.39	4.17	4.24	4.15
NL	2.34	2.34	2.39	2.39	2.38	2.39	2.27	2.11	2.09	1.88	1.77	1.77
RO**	5.09	5.40	5.51	6.12	6.40	6.63	6.47	6.44	6.31	6.1	5.48	5.77
SE	2.17	2.20	2.03	2.04	1.86	1.79	1.81	1.54	1.39	1.35	1.57	1.41
UK	2.66	2.63	2.63	2.67	2.67	2.64	2.50	2.33	2.25	2.31	2.29	2.13

LONG-TERM INITIAL FIXED PERIOD RATE, 10-YEAR OR MORE MATURITY (%)

	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
BE	2.03	2.01	2.01	1.95	1.95	1.91	1.79	1.68	1.56	1.66	1.48	1.40
CZ	2.57	2.48	2.54	2.48	2.94	2.97	2.80	2.87	n/a	n/a	n/a	n/a
DE	1.92	1.94	1.98	1.95	1.96	1.86	1.67	1.37	1.25	1.26	1.25	1.20
DK*	2.78	2.87	2.85	2.79	2.79	2.53	2.16	1.72	1.67	1.74	2.03	1.79
ES	2.39	2.33	2.29	2.26	2.31	2.44	2.41	2.21	1.86	1.81	1.80	1.77
HU	5.52	5.51	5.76	5.74	5.79	5.61	5.72	5.49	4.72	4.52	4.73	4.65
IT****	2.12	2.07	1.96	1.93	2.06	2.00	1.92	1.46	1.46	1.39	1.25	1.25
NL	3.00	2.90	2.86	2.80	2.82	2.84	2.78	2.63	2.57	2.16	2.07	2.04
RO**	3.69	4.85	4.56	5.56	5.91	6.12	5.26	5.46	5.48	5.42	5.28	5.20
UK	n	n/a	n/a	n/a	n/a	n/a	n/a	2.09	2.18	2.66	2.89	2.33

Source: European Mortgage Federation

* Due to the review of the official registers in Denmark, there is a slight change in the exact composition of the household sector. As such, there is a data break starting Q3 2013.
** Recalculation of the interest rate as a weighted average of interest rates in local currency and euro (previously weighted average only of euro denominated mortgages). Data break from Q1 2014.
*** Bank of England discontinued the series Variable rate (up to 1 year). In this chart it has been replaced by Variable Rate without initial fixed period.
**** IT: Data-series accounts for interest rates for all maturities beyond 1 year of initial fixed period

NOTE:
n – No lending made in this maturity bracket
Data refers to quarter averages
UK – From Q1 2018 onwards Bank of England discontinued these data series

The series has been revised for at least two figures in:
- UK

TABLE 5C | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) - OUTSTANDING LOANS

	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
CZECHIA											
Variable rate (up to 1Y initial rate fixation)	18.6	18.7	18.6	18.4	24.1	23.1	23.6	n/a	n/a	n/a	n/a
Short-term fixed (1Y-5Y initial rate fixation)	54.6	53.2	52.4	51.7	46.9	46.4	45.1	n/a	n/a	n/a	n/a
Medium-Term fixed (5Y-10Y initial rate fixation)	22.5	23.7	24.5	25.5	24.4	25.8	26.6	n/a	n/a	n/a	n/a
Long-Term fixed (over 10Y initial rate fixation)	4.4	4.4	4.4	4.5	4.6	4.7	4.8	n/a	n/a	n/a	n/a
DENMARK											
Variable rate (up to 1Y initial rate fixation)	36.3	36.4	35.4	33.4	32.7	32.5	31.5	31.2	31.0	31.3	30.4
Short-term fixed (1Y-5Y initial rate fixation)	25.9	25.9	25.5	26.3	25.9	24.8	24.8	24.0	23.2	22.3	22.1
Medium-Term fixed (5Y-10Y initial rate fixation) / Long-Term fixed (over 10Y initial rate fixation)	37.8	37.5	39.2	40.2	41.4	42.6	43.7	44.8	45.9	46.4	47.5
FINLAND											
Variable rate (up to 1Y initial rate fixation)	92.7	92.8	93.1	93.3	93.6	93.9	94.1	94.3	95.9	96.9	97.1
Short-term fixed (1Y-5Y initial rate fixation)	4.7	4.4	4.5	4.2	4.1	3.7	3.6	3.3	1.6	1.1	1.0
Medium-Term fixed (5Y-10Y initial rate fixation) / Long-Term fixed (over 10Y initial rate fixation)	2.6	2.8	2.3	2.5	2.4	2.4	2.3	2.3	2.5	2.0	1.9
IRELAND											
Variable rate (up to 1Y initial rate fixation)	84.3	82.5	80.9	78.6	76.1	73.9	71.9	69.8	67.3	66.2	n/a
Short-term fixed (1Y-5Y initial rate fixation)	13.9	15.6	17.2	19.4	21.6	23.6	25.4	27.2	29.5	30.5	n/a
Medium-Term fixed (5Y-10Y initial rate fixation)	1.7	2.0	1.9	2.0	2.4	2.5	2.8	3.0	3.3	3.3	n/a
Long-Term fixed (over 10Y initial rate fixation)	n	n	n	n	n	n	n	n	n	n	n

TABLE 5C | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS *(CONTINUED)*

	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
SWEDEN											
Variable rate *(up to 1Y initial rate fixation)*	68.4	68.9	69.01	67.0	64.9	63.8	63.0	61.1	59.3	58.0	56.6
Short-term fixed *(1Y-5Y initial rate fixation)*	30.2	29.7	20.9	31.6	33.8	34.9	36.0	37.6	39.4	40.8	42.2
Medium-Term fixed *(5Y-10Y initial rate fixation)* Long-Term fixed *(over 10Y initial rate fixation)*	1.5	1.4	1.4	1.4	1.3	1.3	1.0	1.3	1.3	1.3	1.2
UNITED KINGDOM											
Variable rate *(up to 1Y initial rate fixation)**	36.6	35.0	33.4	31.6	29.9	28.7	27.5	26.3	25.1	24.4	23.8
Short-term fixed *(1Y-5Y initial rate fixation)*	61.9	63.4	65.0	66.7	68.4	69.5	70.6	71.7	72.9	73.6	74.1
Medium-Term fixed *(5Y-10Y initial rate fixation)*	1.5	1.5	1.6	1.6	1.8	1.8	1.9	1.9	1.9	2.0	2.1
Long-Term fixed *(over 10Y initial rate fixation)*	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CURRENCY DENOMINATION	II 2013	III 2013	IV 2013	I 2014	II 2014	III 2014	IV 2014	I 2015	II 2015	III 2015	IV 2015
HUNGARY*											
HUF denominated	46.7	47.3	46.6	46.9	47.6	47.5	98.4	99.2	99.3	99.3	Since Q4 2015 FX lending is not allowed any more
EUR denominated	6.8	6.7	6.8	6.7	6.5	6.4	0.4	0.3	0.3	0.3	
CHF denominated	44.5	43.7	44.2	44.0	43.4	43.6	1.0	0.4	0.4	0.4	
Other FX denominated	2.1	2.3	2.4	2.5	2.5	2.6	0.2	0.1	0.0	0.0	

BREAKDOWN BY LOAN ORIGINAL MATURITY	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
ITALY											
Maturity less than 5 years	0.7	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4
Maturity over 5 years	99.3	99.5	99.5	99.5	99.5	99.5	99.5	99.5	99.5	99.6	99.6

NOTES:
* From Q4 2015 in Hungary lending in foreign currency is not allowed any more.
n – No lending outstanding in this maturity bracket

Source: European Mortgage Federation

TABLE 5D | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS

	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
BELGIUM													
Variable rate (up to 1Y initial rate fixation)	1.6	2.5	4.9	7.4	7.9	6.6	6.0	2.6	1.1	2.3	2.7	2.7	0.7
Short-term fixed (1Y-5Y initial rate fixation)	3.1	4.8	4.2	3.9	5.8	5.9	3.4	2.9	2.0	1.4	1.1	1.3	1.0
Medium-Term fixed (5Y-10Y initial rate fixation)	17.2	18.2	18.1	17.1	20.8	24.6	24.4	25.5	20.4	12.2	14	14.5	14.0
Long-Term fixed (over 10Y initial rate fixation)	78.1	74.6	72.9	71.6	65.5	62.9	66.1	69.1	76.6	84.0	82.2	81.5	84.2
CZECHIA													
Variable rate (up to 1Y initial rate fixation)	2.6	2.0	2.6	3.1	3.5	2.7	4.1	3.2	3.2	2.18	2.03	2.13	3.11
Short-term fixed (1Y-5Y initial rate fixation)	65.6	59.5	55.3	56.8	54.8	49.8	52.6	48.2	47	38.51	34.27	46.71	46.55
Medium-Term fixed (5Y-10Y initial rate fixation)	31.8	38.4	42.2	40.1	41.7	30.1	43.3	48.6	49.8	59.31	63.7	51.16	50.33
Long-Term fixed (over 10Y initial rate fixation)	3.0	3.0	4.3	5.0	6.1	4.3	6.3	5.4	6.18	n/a	n/a	n/a	n/a
DENMARK													
Variable rate (up to 1Y initial rate fixation)	18.6	22.9	13.7	15.5	14.8	18.2	16.6	10.7	5.2	7.3	11.2	16.1	9.8
Short-term fixed (1Y-5Y initial rate fixation)	28.3	39.4	36.7	29.6	25.4	31.2	26.8	14.5	8.6	10.8	15.6	17.0	14.7
Medium-Term fixed (5Y-10Y initial rate fixation)	2.3	0.9	2.1	0.6	1.5	0.9	1.6	0.8	0.7	1.6	0.5	0.3	0.3
Long-Term fixed (over 10Y initial rate fixation)	50.8	36.8	47.6	54.3	58.3	49.8	55.1	74.0	85.4	80.3	72.6	66.6	75.1
FINLAND													
Variable rate (up to 1Y initial rate fixation)	95.6	96.0	96.2	96.4	96.6	96.3	96.1	96.4	96.5	96.6	94.4	94.5	94.7
Short-term fixed (1Y-5Y initial rate fixation)	2.2	1.9	1.8	1.8	1.4	1.7	1.8	1.5	1.3	1.3	3.1	2.9	2.8
Medium-Term fixed (5Y-10Y initial rate fixation) / Long-Term fixed (over 10Y initial rate fixation)	2.2	2.1	2.0	1.8	2.0	2.0	2.1	2.1	2.2	2.2	2.5	2.6	2.5
GERMANY													
Variable rate (up to 1Y initial rate fixation)	11.6	11.9	11.3	12.5	11.5	11.6	11.4	11.2	10.6	10.8	10.4	11.1	10.3
Short-term fixed (1Y-5Y initial rate fixation)	8.9	8.9	8.8	8.8	8.7	8.7	8.9	8.8	7.7	7.6	7.6	7.8	7.2
Medium-Term fixed (5Y-10Y initial rate fixation)	35.5	35.4	34.4	33.8	34.0	34.6	33.0	32.6	31.5	31.7	32.0	32.5	32.7
Long-Term fixed (over 10Y initial rate fixation)	43.9	43.9	45.5	44.9	45.8	45.1	46.7	47.3	50.1	49.9	49.9	48.6	49.8

TABLE 5D | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS *(CONTINUED)*

	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
HUNGARY													
Variable rate *(up to 1Y initial rate fixation)*	41.4	38.7	28.1	18.3	11.5	6.5	4.9	3.2	2.6	1.7	1.6	1.1	1.1
Short-term fixed *(1Y-5Y initial rate fixation)*	32.6	34.2	42.7	46.6	42.4	31.3	26.5	24.7	28.3	30.6	29.3	27.9	26.7
Medium-Term fixed *(5Y-10Y initial rate fixation)*	19.5	21.2	23.8	29.2	38.4	51.3	57.6	61.4	59.2	55.2	53.9	57.8	59.3
Long-Term fixed *(over 10Y initial rate fixation)*	6.5	5.9	5.4	5.9	7.8	11.0	11.0	10.7	9.8	12.5	15.2	13.2	12.9
IRELAND													
Variable rate *(up to 1Y initial rate fixation)*	47.2	43.8	45.6	41.5	36.1	30.9	28.7	27.9	26.3	25.0	25.6	24.9	21.4
Short-term fixed *(1Y-5Y initial rate fixation)*	52.8	56.2	54.4	58.5	63.9	69.1	71.3	72.1	73.7	75.0	74.4	75.1	78.6
Medium-Term fixed *(5Y-10Y initial rate fixation)*	n	n	n	n	n	n	n	n	n	n	n	n	n
Long-Term fixed *(over 10Y initial rate fixation)*	n	n	n	n	n	n	n	n	n	n	n	n	n
ITALY													
Variable rate *(up to 1Y initial rate fixation)*	35.5	37.5	36.3	33.4	32.8	30.5	30.8	34.2	31.5	19.7	19.8	19.2	17.4
Short-term fixed *(1Y-5Y initial rate fixation)* / Medium-Term fixed *(5Y-10Y initial rate fixation)* / Long-Term fixed *(over 10Y initial rate fixation)*	64.5	62.5	63.7	66.6	67.2	69.5	69.2	65.8	68.5	80.3	80.2	80.8	82.6
NETHERLANDS													
Variable rate *(up to 1Y initial rate fixation)*	14.7	15.3	15.4	16.2	16.3	16.9	18.2	19.7	19.4	17.1	17.3	12.5	14.3
Short-term fixed *(1Y-5Y initial rate fixation)*	8.7	8.9	9.3	10.2	10.0	9.2	9.3	10.0	8.7	7.9	7.4	6.6	7.4
Medium-Term fixed *(5Y-10Y initial rate fixation)*	55.5	55.3	53.4	48.2	43.8	43.1	42.5	42.7	44.1	43.4	41.1	39.7	34.0
Long-Term fixed *(over 10Y initial rate fixation)*	21.2	20.5	21.8	25.4	29.9	30.8	30.0	27.5	27.8	31.6	34.3	41.2	44.3

TABLE 5D | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS *(CONTINUED)*

	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
POLAND													
Variable rate *(up to 1Y initial rate fixation)*	100	100	100	100	100	100	100	100	100	100	100	100	100
Short-term fixed *(1Y-5Y initial rate fixation)*	n	n	n	n	n	n	n	n	n	n	n	n	n
Medium-Term fixed *(5Y-10Y initial rate fixation)*	n	n	n	n	n	n	n	n	n	n	n	n	n
Long-Term fixed *(over 10Y initial rate fixation)*	n	n	n	n	n	n	n	n	n	n	n	n	n
PORTUGAL													
Variable rate *(up to 1Y initial rate fixation)*	60.1	59.1	61.3	68.2	64.0	66.3	82.9	76.9	70.81	55.7	59.7	71.0	70.7
Short-term fixed *(1Y-5Y initial rate fixation)*													
Medium-Term fixed *(5Y-10Y initial rate fixation)*	39.9	40.9	38.7	31.8	36.0	33.7	17.1	23.1	29.2	44.3	40.3	29.0	29.3
Long-Term fixed *(over 10Y initial rate fixation)*													
ROMANIA													
Variable rate *(up to 1Y initial rate fixation)*	88.8	78.5	73.2	77.7	75.0	69.9	74.3	76.2	79.4	78.2	70.0	72.0	66.5
Short-term fixed *(1Y-5Y initial rate fixation)*	2.5	10.3	15.5	8.5	11.3	13.6	13.2	10.8	10.0	10.5	11.2	10.5	11.0
Medium-Term fixed *(5Y-10Y initial rate fixation)*	1.9	3.5	5.6	6.0	6.7	8.5	3.8	2.6	2.5	4.2	5.4	4.6	5.5
Long-Term fixed *(over 10Y initial rate fixation)*	6.7	7.8	5.7	7.9	7.0	8.0	8.7	10.5	8.1	7.1	13.4	13.0	17.1
SPAIN													
Variable rate *(up to 1Y initial rate fixation)*	43.9	42.3	36.3	36.8	36.2	35.7	34.4	38.1	36.3	33.6	32.3	38.6	35.4
Short-term fixed *(1Y-5Y initial rate fixation)*	27.2	28.5	29.7	28.4	28.2	26.6	26.8	27.0	28.8	22.3	19.3	17.0	18.9
Medium-Term fixed *(5Y-10Y initial rate fixation)*	3.9	3.9	4.1	4.2	4.7	4.8	5.6	4.5	3.5	3.0	3.6	3.0	3.1
Long-Term fixed *(over 10Y initial rate fixation)*	25.0	25.3	29.9	30.6	30.8	32.8	33.3	30.4	31.4	41.1	44.8	41.4	42.6

TABLE 5D | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS *(CONTINUED)*

	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
SWEDEN													
Variable rate *(up to 1Y initial rate fixation)*	72.5	69.0	70.3	72.9	72.2	62.1	54.9	60.8	63.0	58.7	49.5	52.7	46.4
Short-term fixed *(1Y-5Y initial rate fixation)*	18.9	20.4	20.8	20.2	20.9	29.8	36.2	31.6	27.0	28.5	35.4	34.1	37.7
Medium-Term fixed *(5Y-10Y initial rate fixation)* / Long-Term fixed *(over 10Y initial rate fixation)*	8.6	10.7	8.9	6.9	6.8	8.1	8.9	7.6	10.0	—	12.8	13.2	15.8
UNITED KINGDOM													
Variable rate *(up to 1Y initial rate fixation)**	11.0	7.4	6.7	6.7	8.3	6.8	7.9	6.6	7.4	6.7	7.3	10.3	9.1
Short-term fixed *(1Y-5Y initial rate fixation)*	87.6	90.9	91.6	91.7	90.0	91.7	90.5	91.8	90.7	91.8	91.5	88.6	89.4
Medium-Term fixed *(5Y-10Y initial rate fixation)*	1.4	1.7	1.7	1.6	1.7	1.5	1.6	1.6	1.9	1.5	1.2	1.1	1.5
Long-Term fixed *(over 10Y initial rate fixation)*	n	n	n/a	n/a	n/a	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1

NOTE:
* Please note that for the UK, this refers to more than 99% to Variable rate without any fixed period.
n – No lending made in this maturity bracket

Source: European Mortgage Federation

The series has been revised for at least two figures in:
- Czechia

THE BANK LENDING SURVEYS

NOTES ON THE BANK LENDING SURVEY

The Bank Lending Survey (BLS) is carried out by the European Central Bank (ECB), is addressed to senior loan officers of a representative sample of euro area banks and is conducted four times a year. The sample group participating in the survey comprises around 130 banks from all euro area countries and takes into account the characteristics of their respective national banking structures[1, 2].

The survey addresses issues such as credit standards for approving loans as well as credit terms and conditions applied to enterprises and households. It also asks for an assessment of the conditions affecting credit demand. The results and information displayed here are taken from the quarterly results of the *"The Euro area bank lending survey – Third quarter of 2020"* of the ECB.

For the UK and Denmark, the BLS is carried out by their respective Central Banks.

In this context, it is important to point out that some statistical techniques and the underlying factors are slightly different from those used by the ECB. In order to provide a consistent comparison with the data of the ECB, the figures of the change in credit standards for Denmark and the United Kingdom have been inverted, as in these cases a positive value is equivalent to a standard easing, which is opposite to the interpretation of the figures of the BLS of the ECB.

In addition to Denmark and the UK, and following the new structure introduced during the third quarter of 2018, we compile the bank lending surveys from Czech Republic, Hungary, Romania and Poland. For these countries similar criteria as the one used in the BLS carried out by the ECB applies, as is the case for the Eurozone countries positive values stand for net tightening and negative values stand for net easing. In the case of Hungary and Poland the effect of the different factors on demand have been inverted to match the interpretation of the figures of the ECB's BLS.

[1] The Finnish BLS data is not published because of confidentiality reasons. As the Finnish BLS sample consists of only four banks, there is a risk that answers of individual banks could be extracted from the aggregate results..

[2] It should be noted that the term "Net Percentage" is used (see ECB website or contact authors for more information) in this publication. For the data for Denmark and the UK, net weighted average figures are used. Figures for France, Malta, Slovakia and the Netherlands are weighted based on the amounts outstanding of loans of the individual banks in the respective national samples, while figures for the other countries are unweighted. For Estonia and Ireland Diffusion Index Data is used as they lack net percentage data.

RESULTS RELATED TO LENDING TO HOUSEHOLDS FOR HOUSE PURCHASE

1. CREDIT STANDARD:

TABLE 6A | SUPPLY HISTORIC EVOLUTION (BACKWARD-LOOKING 3 MONTHS)
(AS A NETTED AND WEIGHTED PERCENTAGE OF ALL RESPONDENT BANKS)

	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
AT	14	0	29	14	0	29	29	14	14	0	29	14
BE	0	25	0	0	25	0	50	25	75	50	50	0
CY	0	0	0	0	0	0	0	0	0	0	25	50
DE	-7	-7	-7	-3	0	7	-3	0	0	3	21	7
EE	13	30	10	0	0	0	0	0	0	63	25	0
EL	0	0	-25	0	0	0	0	0	0	0	0	0
ES	-11	-11	-11	0	0	11	11	0	11	0	33	11
FR	-2	-14	-2	-2	-2	-2	-2	0	2	37	10	58
IE	0	0	0	0	0	0	0	0	0	0	40	0
IT	0	-10	0	0	10	10	0	-10	-10	0	0	10
LT	0	0	0	25	25	0	0	0	0	25	50	-25
LU	0	-33	-17	0	0	0	-17	-33	0	17	50	33
LV	0	-25	0	50	25	50	0	0	0	50	25	-25
MT	0	40	0	0	0	0	21	60	0	0	38	0
NL	-36	-51	-50	-34	-35	-32	-34	-30	-34	-34	35	0
PT	0	0	0	60	20	0	0	0	20	20	60	20
SI	0	0	0	20	20	0	0	0	100	40	20	0
SK	32	59	32	78	50	66	15	78	-9	60	100	-2
EA	**-6**	**-11**	**-8**	**-2**	**-1**	**3**	**1**	**-2**	**1**	**9**	**22**	**20**
CZ	42	41	29	40	92	-6	-15	18	26	5	72	26
DK	14	40	13	-6	19	0	8	0	19	-7	15	-12
HU	-5	-5	-15	0	-5	-5	-5	0	0	55	37	-15
PL	21	-4	7	58	61	1	1	32	8	29	91	-38
RO	3	7	0	18	16	50	0	0	0	12	65	2
UK	-2	-4	-4	11	12	-7	6	1	-15	4	72	-10

During the third quarter of 2020 the spread of COVID-19 slowed down in the vast majority of countries and during the summer they tried to partly reopened their economies, therefore, we could expect an impact of the outbreak slightly less negative during this three months. This pandemic had its first effects on credit conditions for house purchase already in the month of March, these were even stronger in the second quarter of the year, as it was expected, yet in the third quarter of the year despite the slight recovery of national economies credit standards for hour purchase further tightened.

In Q3 2020, credit conditions to households for house purchase tightened by 20% compared to the already important tighten of the previous quarter at 22%. This this quarter marks the second consecutive quarter of record high tightening of credit conditions, where net values stay close to those recorded in 2011 after the financial crisis. It also remains above the historical average.

The main factor influencing credit conditions has been risk perceptions related to the general economic outlook, as it was the case in Q2 2020. Moreover, banks have also signalled lower risk tolerance as an element negatively influencing credit conditions. Finally, banks informed that macroprudential policies targeting housing credit, included in "others", has been an important factor contributing to the tightening of the conditions.

Amongst the largest euro area countries, credit standards tightened in all four countries. These countries signalled higher risk perceptions related to the general economic outlook as the main factor contributing to the tightening of credit standards. Moreover, France also highlighted an important impact of the macroprudential measures taken by the French High Council for Financial Stability as it was already the case in the previous quarter.

Looking at the rest of the EU countries of our sample we observe that the trend towards the tightening of credit conditions for house purchase that started in the beginning of the year slightly relaxed during the third quarter. In average the Euro area experienced a net tightening of the conditions by 20%, yet we observe more countries were credit conditions did not change and few exception were these eased. In Q3 2020, France was the country that experienced the most significant tightening of credit conditions. On the opposite side, Lithuania and Latvia recorded a 25% easing. Furthermore, several countries ranging from Belgium to Slovenia. The main factor contributing to the tightening of conditions at the euro area level were a higher risk perception and a lower risk tolerance. On the other hand, banks' cost of find and balance sheet situation and competitive pressure slightly contributed towards the easing of conditions.

In this context, banks expect the tightening of credit conditions to continue in the last quarter of 2020. A tightening of 12% for Q4 2020 is forecasted.

The rejection rate continued increasing during the third quarter. The growth recorded was higher than in the previous quarter, 8% vs. 4%. However, the trends were somehow different among jurisdictions. Like in the previous quarter, in Italy the rejection rate decreased, while in Germany and France it slightly increased and in Spain it remained unchanged.

Outside the Euro area, in the UK the trend changed with respect to the previous quarter and the country recorded a 10% easing of credit conditions. A similar trend was followed by Hungary where after a tightening of conditions in Q3 2020, it now recorded an easing of 15%. Likewise Poland experienced an easing of 38%. On the other hand, Romania and Czechia saw how their credit standards tightened by 2 and 26% respectively. Finally, in Denmark credit conditions eased by 12% after the tightening of 15% of the previous quarter.

TABLE 6B | FACTORS THAT HAVE AFFECTED SUPPLY IN 2020-Q3 (BACKWARD-LOOKING 3 MONTHS)
(AS A NETTED AND WEIGHTED PERCENTAGE OF ALL RESPONDENT BANKS)

III 2020	AT	BE	CY	DE	EE	EL	ES	FR	IE	IT	LT	LU	LV	MT	NL	PT	SI	SK	EA	CZ	DK	HU	PL	RO	UK
Change in Credit Standards Overall	14	0	50	7	0	0	11	58	0	10	-25	33	-25	0	0	20	0	-2	**20**	26	-12	-15	-38	2	-10
FACTORS AFFECTING CREDIT STANDARDS:																									
Impact of funds and balance sheet constraints	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	**0**	-8	—	0	10	0	-7
Perception of risk	14	0	25	4	0	0	11	2	10	10	0	0	0	0	0	20	25	-2	**5**	—	-12	-12	—	—	—
Pressure from competition	0	0	0	0	-19	0	0	0	0	0	0	8	-13	0	0	0	13	-3	**0**	-5	0	-6	-25	-4	-14
Risk Tolerance	10	0	42	10	25	8	4	16	3	3	-8	28	0	0	0	13	25	-6	**9**	18	-6	-8	-9	-5	6

NOTE:

For UK there are different factors and following assumptions were made: tight wholesale funding conditions > impact of funds and balance sheet constraints; market share objectives > pressure from competition; changing appetite for risk > Risk Tolerance

For DK following assumption: Credit standards - competition > Pressure from competition; credit standards - perception of risk > perception of risk; credit standards appetite for risk > Risk Tolerance

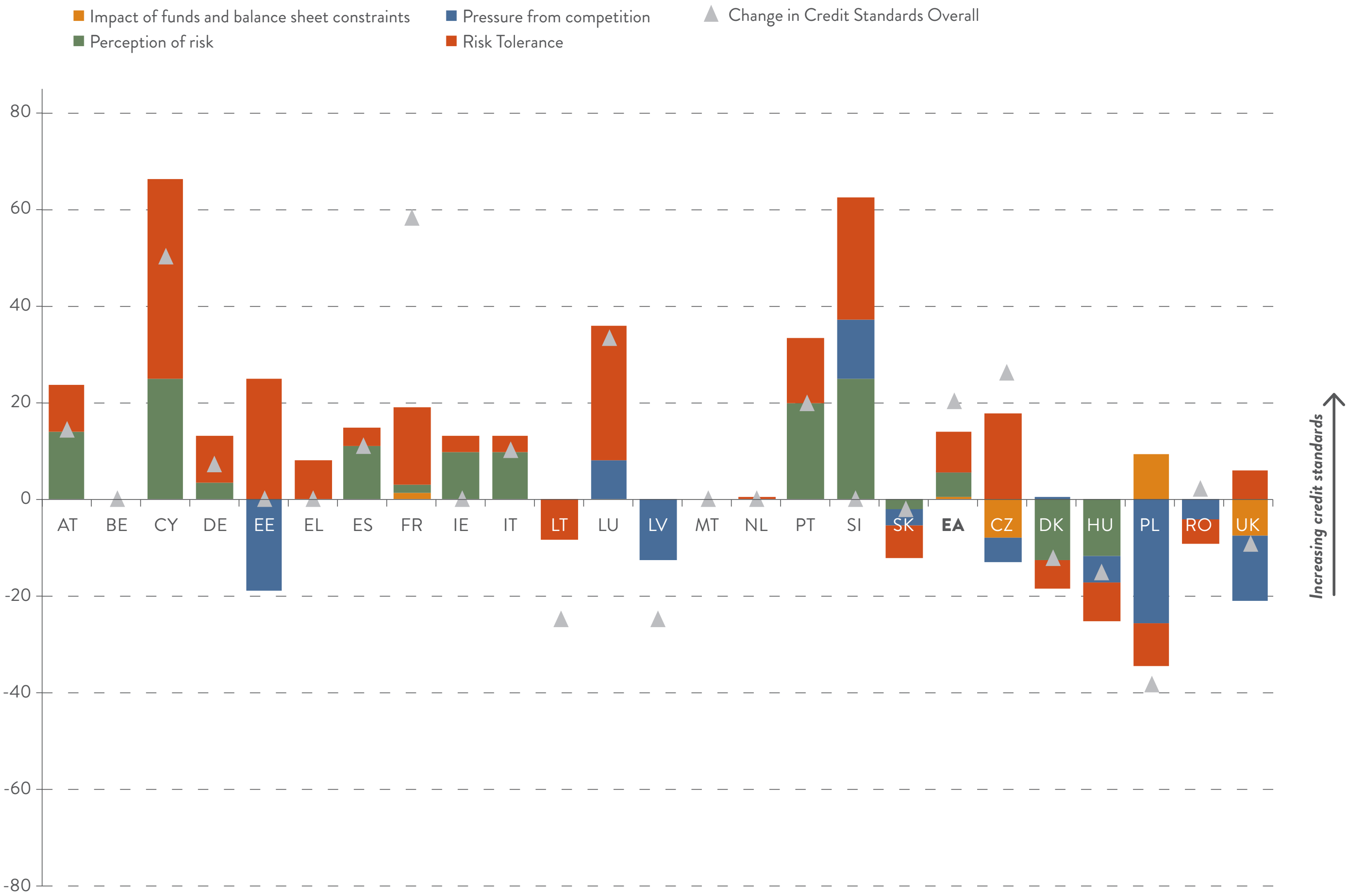
For CZ there are different factors and following assumptions were made: cost of funds and balance sheet constraints > impact of funds and balane sheet constraints; pressure from other banks and non-banks > pressure from competition.

For HU the factors have suffered a change in the sign (positive net change indicator = contributed to tightening); also there are different factors so the following assumptions were made: changes in bank's current or expected capital position + changes in bank's current or expected liquidity > impact of funds and balance sheet constraints; competition from other banks and non-banks > pressure from competition.

For PL there are different factors and following assumptions were made: current or expected costs related to your bank's capital position > impact of funds and balance sheet constraints;

For RO there are different factors and following assumptions were made: current or expected costs related to you bank's capital position > impact of funds and balace sheet; competition from other banks and non-banks > pressure from competition.

CHART 4 | CREDIT STANDARDS OVERVIEW AND FACTORS



2. CREDIT DEMAND:

TABLE 7A | DEMAND HISTORIC EVOLUTION (BACKWARD-LOOKING 3 MONTHS)
(AS A NETTED AND WEIGHTED PERCENTAGE OF ALL RESPONDENT BANKS)

	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	III 2019	IV 2019	I 2020	II 2020	III 2020
AT	14	14	0	-14	-14	14	14	29	29	43	-14	29
BE	0	0	0	0	25	0	0	0	100	-50	-100	25
CY	100	80	100	50	25	25	50	0	25	0	-75	100
DE	0	14	21	3	10	14	38	28	17	24	-29	36
EE	13	20	30	0	0	13	13	0	25	0	-50	25
EL	0	25	25	25	100	50	0	75	75	75	0	100
ES	11	22	22	22	-11	11	0	-33	-33	-44	-100	22
FR	-21	-40	17	-22	-20	20	28	28	41	38	-91	46
IE	20	10	30	-10	10	50	20	0	0	40	-100	50
IT	10	10	20	10	10	0	20	10	30	-30	-70	30
LT	0	0	25	0	25	0	0	0	0	-25	-50	25
LU	17	17	17	-17	17	17	0	-17	17	33	-100	33
LV	50	75	50	25	25	25	25	25	50	0	-50	50
MT	13	55	55	56	-25	43	0	-82	-99	-82	-58	56
NL	47	33	51	49	52	49	50	14	50	49	2	-42
PT	80	40	40	60	20	-20	40	40	20	0	-80	20
SI	40	0	20	-20	0	-20	-20	-20	-80	-60	-100	50
SK	34	-26	93	-2	-15	-20	-25	-1	7	0	-100	-3
EA	**8**	**5**	**23**	**5**	**12**	**14**	**26**	**15**	**25**	**12**	**-61**	**31**
CZ	39	-25	-2	45	-28	-72	29	18	31	20	-50	64
DK*	2	-11	0	11	28	11	-14	-30	-7	6	1	8
HU	51	72	85	51	65	75	60	-44	34	6	-81	84
PL	-13	76	40	11	13	26	54	38	-18	23	-66	19
RO	-31	50	-15	-39	-33	8	-17	2	31	12	-65	3
UK**	8	-29	5	3	24	-2	-29	-13	13	-28	79	-96

NOTE:
* Data taken is "demand for loans - existing customer" as DK does not provide an aggregate figure for demand (we left aside the "demand for loans - new customers")
** Data taken is "change from secured lending for house purchase from households"

During the third quarter of the year, demand went back to the positive evolution recorded previous to the outbreak of COVID-19. After a significant drop in the previous quarter, demand for loans for house purchase recorded a 31% average increase in the euro area.

The increase in demand was mainly fuelled by the general level of interest rates and, secondly, by an improved housing market prospect. Yet consumer confidence continue negatively affecting demand. Moreover, the use of alternative sources of financing also had a slightly negative effect on demand.

Looking at the 4 biggest countries of the EU, all recorded a positive evolution of demand. In France demand grew by 46%, in Spain by 22%, in Germany by 36% and by 30% in Italy. As anticipated above, the general level of interest rates had a positive effect on demand. Moreover, Germany and Spain experienced a positive contribution of the housing market prospects, while this was negative in Italy and had no effect at all for France. As for credit conditions, consumer confidence continued having a negative effect on demand. This negative contribution was bigger in Spain and France and played a smaller role in Germany and Italy. The use of alternative finance had a slight dampening impact in Germany and Spain.

Looking at the whole sample of Eurozone countries we observe an important change on demand of loans for house purchase with respect to the previous quarter. As it was the case before the crisis the majority of the sample recorded a positive evolution of the demand of loans for house purchase. Only the Netherlands and Greece recorded drops in demand as in Q2 2020. This slight recovery in demand is mainly due to the relaxation of lock-down like measures in the majority of countries during the summer as a consequence of the reduction in cases. Yet banks expect a new drop in demand to take place during the last quarter of the year, with an average net drop of 5%.

Outside the Eurozone, while in the previous quarter the UK recorded a very different trend from the rest of the countries and demand surged, in this third quarter when the majority of countries have seen a recovery in demand the UK has experienced a drop of 96%. On the contrary in Hungary and Czechia demand bounced back by 84% and 64%, respectively. In Poland and Romani the resurgence of demand was more moderate with increases of 19 and 3% respectively. Finally, in Denmark demand also grew by 8% in Q3 2020.

TABLE 7B | FACTORS THAT HAVE AFFECTED DEMAND IN 2020-Q3 (BACKWARD-LOOKING 3 MONTHS)
(AS A NETTED AND WEIGHTED PERCENTAGE OF ALL RESPONDENT BANKS)

III 2020	AT	BE	CY	DE	EE	EL	ES	FR	IE	IT	LT	LU	LV	MT	NL	PT	SI	SK	EA	CZ	DK	HU	PL	RO	UK
Change in Demand Overall	29	25	100	36	25	100	22	46	50	30	25	33	50	56	-42	20	50	-3	**31**	64	8	84	19	3	-96
FACTORS AFFECTING CREDIT STANDARDS:																									
Impact of housing market prospects	0	0	0	18	0	11	0	25	40	-20	-25	0	25	0	-12	0	25	28	**5**	29	—	—	-12	—	—
Other financing needs	29	0	0	11	13	11	20	25	0	50	0	50	0	0	21	40	25	28	**20**	28	—	—	—	—	—
Consumer confidence	0	0	50	-4	13	-22	-15	50	20	0	0	-33	25	18	-49	-40	50	52	**-9**	17	—	—	16	—	—
Use of alternative finance	0	0	25	0	0	0	6	-6	0	0	0	0	0	0	32	-10	-10	-17	**2**	—	—	—	—	—	—
General level of interest	-5	0	25	-5	4	0	-11	4	0	0	0	0	0	9	0	-13	-30	-2	**-2**	-3	—	—	—	—	—

NOTE:

DK, HU, RO and UK do not provide factors affecting the Demand, but a breakdown of the different types of lending

For CZ there are different factors and the following assumptions were made: non-housing related expenditure > other financial needs; household savings > internal financing out of savings/down payment; level of interest rates > general level of interest.

For PL there are different factors and the following assumptions were made: changes in consumption expenditure > changes in consumer confidence; use of alternative financing sources > impact of other sources of finance; changes in terms on housing loans > impact from loans of other banks.

CHART 5 | DEMAND OVERVIEW AND FACTORS

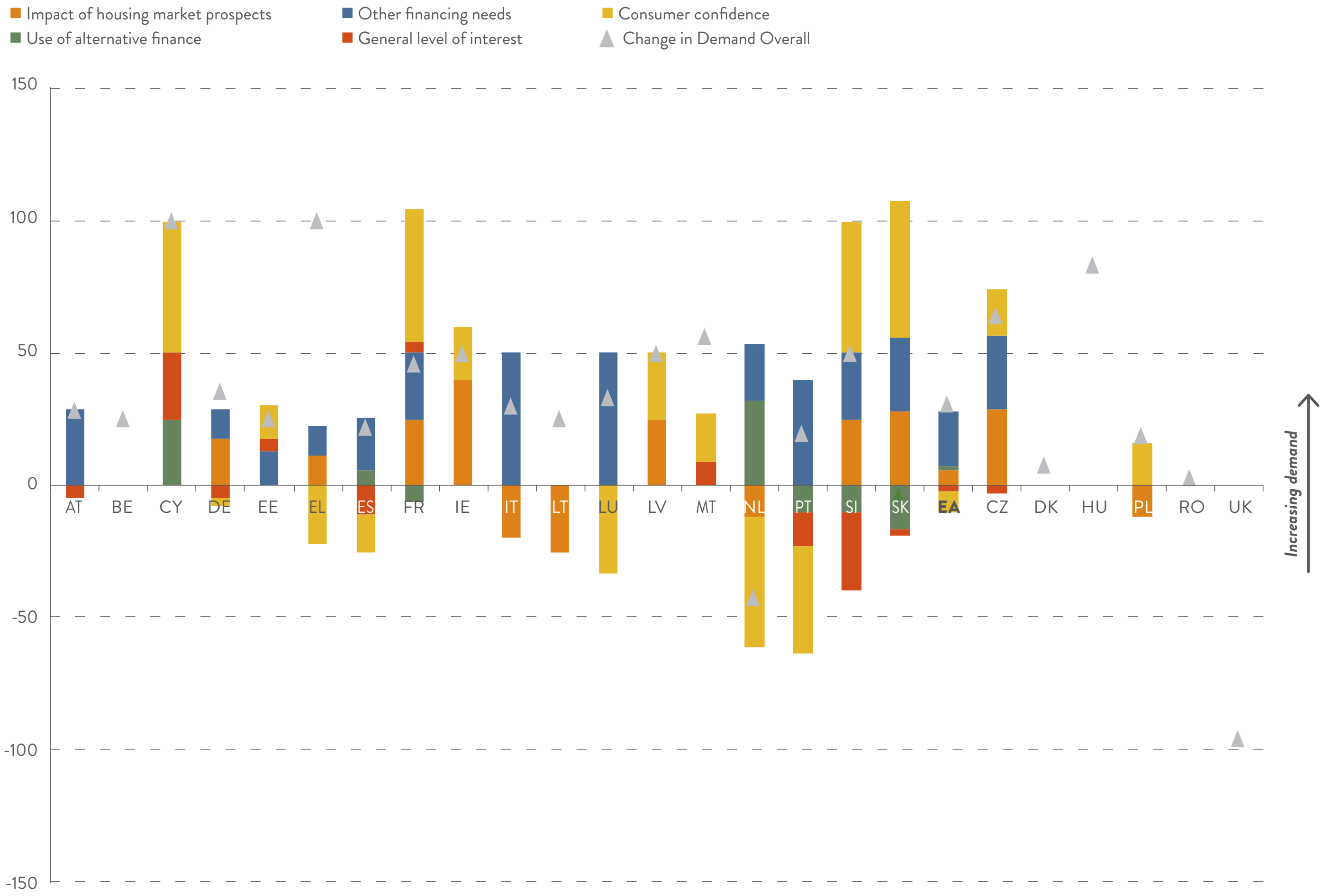
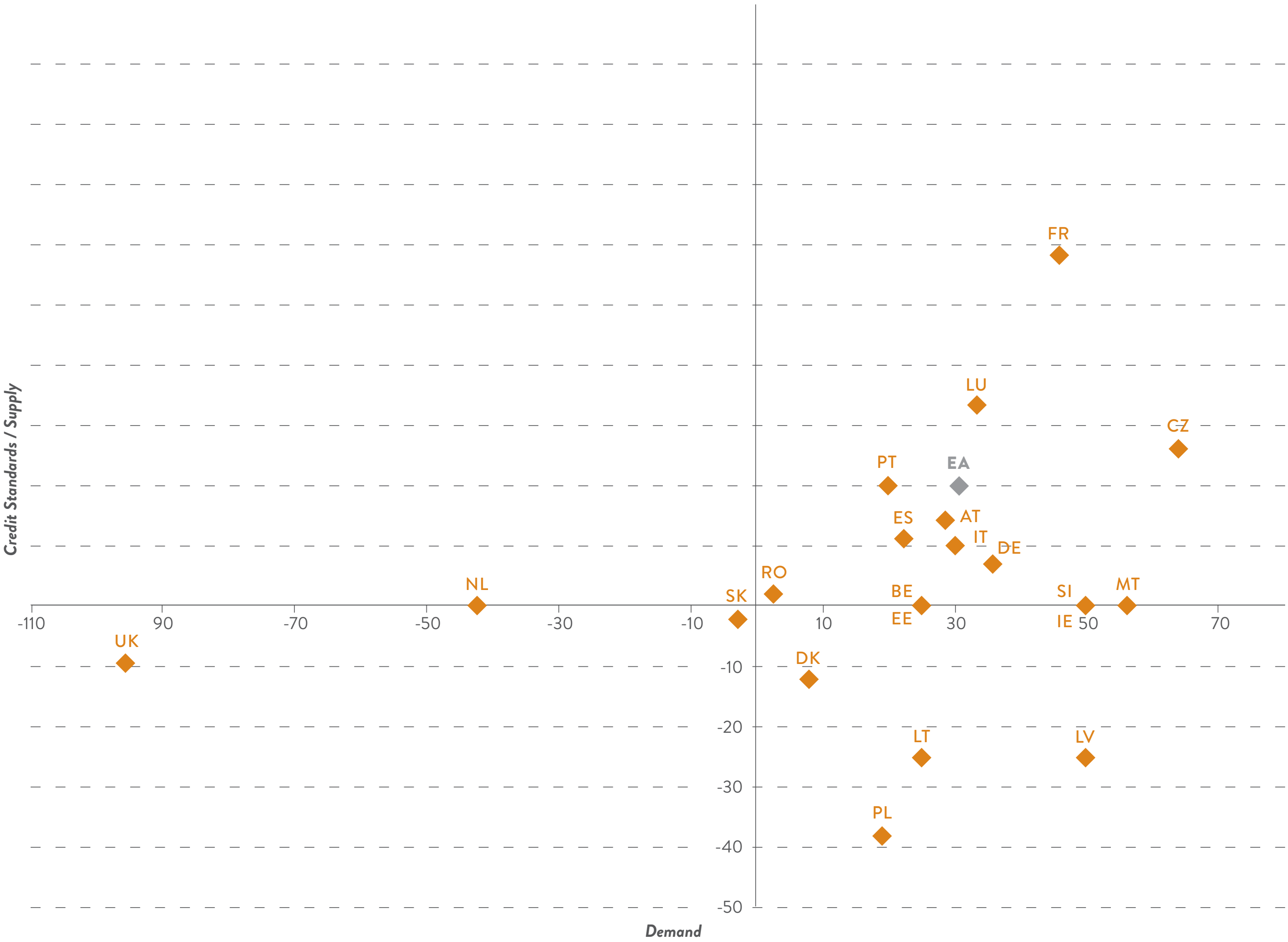


CHART 6 | DEMAND AND SUPPLY OVERVIEW



3. SCATTER PLOT:

The graph reflects a clear change in trends with respect to the previous quarter. We observe a shift towards the right of most of the countries, this mean that while in Q2 2020 most of them were experiencing drops in demand, during Q3 2020 most of them experienced a recovery of demand in loans for house purchase.

In the supply side trends are more heterogenous yet we observe that overall credit conditions have tightened less than in the previous quarter. The main outliers this quarter are the Netherlands and the UK as both have experienced a significant drop in demand.

Q3 | 2020

QUARTERLY REVIEW
OF EUROPEAN
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